

STATEMENT

I, the undersigned,

CHETAN VAGHELA

declare that:

1. I am an adult male audit Partner employed at Deloitte, with offices at The Woodlands Office Park, 20 Woodlands Drive, Woodmead, Johannesburg.
2. I make this statement on the basis of a summons received from the Zondo Commission of Enquiry into State Capture ("**the Zondo Commission**") dated 15 February 2019.
3. In this statement, I detail the background and circumstances resulting in the firm having reported seven reportable irregularities ("**RIs**") to the Independent Regulatory Board for Auditors ("**IRBA**") in respect of and during my time as audit partner for Neotel (Pty) Ltd ("**Neotel**").

BACKGROUND

4. Deloitte were appointed as joint statutory auditors for Neotel for the financial year ending 31 March 2006, and Deloitte is currently the sole auditor for Neotel (currently known as Liquid Telecommunications South Africa (Pty) Ltd). Another Deloitte audit partner, Andre Dennis ("Dennis") and I were the audit partners responsible for the joint statutory of Neotel audit for the year ended 31 March 2015 ("the 2015 Audit"). Sizwe Ntsaluba Gobodo were the joint auditors for Neotel.
5. For purposes of this statement, it is necessary that I outline who sat on the Board of Directors ("the Board") and Audit Committee of Neotel, and who made up Neotel's management team during the 2015 financial year, respectively.
6. The members of Neotel's Board of Directors during the 2015 financial year and at the date of approval of the 2015 financial statements, were as follows:
 - 6.1. S Baweja; (Resigned 4 November 2014)
 - 6.2. R Dhawan;
 - 6.3. S Joshi (Managing / CEO) ("**Joshi**"); (Resigned 30 November 2015)
 - 6.4. VA Kumar;
 - 6.5. XK Memani ("**Memani**")
 - 6.6. FJP Ndoroma; (Resigned 28 October 2014)

6.7. R Offner (alternate director to FJP Ndoroma) ("Offner"); (Appointed 4 November 2014)

6.8. TL Pharm ("Pharm"); (Appointed 4 November 2014)

6.9. SG Ranade;

6.10. M Srinath (Chairman) ("Srinath"); and

6.11. SS Ntsaluba (alternate director to Memani).

7. The members of Neotel's Audit Committee during the 2015 financial year and as at the date of signature of the 2015 financial statements, were as follows:

7.1. XK Memani;

7.2. TL Pharm; and

7.3. R Offner.

7.4. The members of Neotel management during the 2015 financial year and as at the date of signature of the 2015 financial statements were as follows:

7.5. S Joshi (CEO) ("Joshi") (Resigned 30 November 2015);

7.6. S Whiley (CFO) ("Whiley") (Resigned 30 November 2015);

7.7. C Theko (Company Secretary) ("Theko");

7.8. R Bux (Acting CFO) (Appointed 30 November 2015); and

7.9. XK Memani (Director in Charge) (Appointed 30 November 2015).

THE HOMIX TRANSACTION

8. As part of Deloitte's routine audit testing in respect of the 2015 Audit, Neotel creditors were tested in detail during March 2015 based on the 28 February 2015 balances which included a detailed review of the creditors listing at that point in time. This approach was amended for the 2015 audit to vary the timing of work and to complete certain procedures early due to the tight timelines imposed by management for the 2015 audit.
9. The Deloitte audit team was provided with a creditors' age analysis at 28 February 2015. As part of our analysis of the creditor balance, a comparison to the prior year was done and an understanding of large balances was performed. An analysis was also performed of debit balances in the creditors' age analysis. This analysis identified Homix (Pty) Ltd ("**Homix**") as a new vendor and reflected the largest DEBIT balance of an amount of R41, 040, 000.
10. The Deloitte audit trainees had documented the following tickmark against the Homix creditor :

Please note that this amount relates to commission that was payable in terms of the binding Transnet deal. In line with the terms of the agreement, a certain % of the deal was payable to Homix by the end of February 2015. As at the end of February, Neotel had not yet received an invoice for the amount, yet payment had to be made in terms of the contract. On 27/02/2015 an amount of R41 040 000 was paid to Homix. This has been raised as a debit balance until such time that the invoice is received (whereby the creditor will be cleared). Per discussion with Tony Marcus (Senior Manager: Finance – Taxation, Fixed Assets, Creditors), this

will all have been cleared by 31/03/2015 and we should not expect to see this on the ageing at year end.

Following further enquiries and procedures, the following was documented:

As auditors, we were unaware of a success fee on the Transnet MSA and this was not previously raised by management at any stage particularly during Q3. As a result of this, we further looked into this transaction in more detail to understand the service provider, the basis for the fee and what they did i.e. the commerciality of the transactions. For further investigation and results thereof into this transaction, please refer to the <11000> section in the Neotel Partner File.

11. The explanation documented by the trainees did not make sense to us, and in addition the matter was not disclosed to us by management during our meetings and Quarter 3 review procedures for the period ended 31 December 2014. The service performed would have warranted an accrual in the Q3 results which was not recorded or disclosed by management. An accrual was warranted because the transaction had been concluded in December 2014 as management contended this was a condition resulting from the conclusion of the contract.
12. It should be noted that, due to this being a new vendor with a large debit balance reflected, Dennis and I requested the team to obtain the vendor on boarding documentation to validate that the necessary procedures were followed before approving and loading a new vendor on the Neotel system. Refer to paragraph 33 and 34.

13. The team was provided the New Business Consultancy Agreement between Neotel and Homix which was signed on 19 February 2015. This date is after the agreement with Transnet had been concluded on 19 December 2014.
14. These circumstances explained above and the incomplete / questionable vendor onboarding information, triggered further procedures by the Deloitte Audit Partners into the Homix transaction.

DELOITTE INVESTIGATIONS INTO THE HOMIX TRANSACTION

15. The Deloitte Audit Partners engaged the Deloitte Forensics Department during March 2015 to perform a high-level due diligence on Homix and its directors. We wanted to know who Homix was, what role they played and who their shareholders and directors were. The Deloitte Audit Partners provided the Deloitte Forensics Department with the vendor onboarding pack and the New Business Consultancy Agreement.
16. Dennis and I met with the Chief Financial Officer of Neotel, namely Whiley on 9 April 2015, during which meeting Dennis raised our concerns in respect of the Homix transaction. (We wanted to know who Homix was, what role they played and who their shareholders and directors were.) A copy of the minutes of this 9 April 2015 meeting is annexed to this statement as "CV1".
17. During the meeting, Whiley mentioned that he did not have information on Homix, he did not know who they were, but that he was aware that Neotel had made two payments to Homix during the 2015 financial year.

18. Whiley explained that the MSA negotiations with Transnet came to an impasse. Members of the "C-Suite" then got together and Joshi suggested contacting Homix as Neotel had used them before.
19. Whiley went on to explain that Homix got the discussions with Transnet on track again, which led to the successful completion of the MSA between Neotel and Transnet on 19 December 2014.
20. Whiley explained that the first payment made to Homix related to Homix bringing the "Cisco equipment deal" to Neotel.
21. Whiley also said that background checks on Homix had been performed two weeks before this meeting in April, and no findings were noted.
22. Dennis stated that this contradicted Deloitte background checks, which indicated that Homix was in the process of being deregistered.
23. Whiley suggested that should we require more information we should speak to Joshi. A meeting was set to meet Joshi on 11 April 2015.
24. On 11 April 2015, Dennis and I met with Joshi and Whiley. Dennis again raised our concerns regarding the validity of the Homix transaction at this meeting. A copy of the minutes of this 11 April 2015 meeting is annexed to this statement as "CV2".
25. During the 11 April 2015 meeting, Joshi reiterated what Whiley had told us on 9 April. He further added that Homix originally wanted a fee equal to 10% of the

value of the Transnet MSA. Neotel negotiated Homix down to 2% of the value of the MSA, as at 10% the deal could not be justified.

26. Dennis asked Joshi specifically:

26.1. Who engaged Homix?

26.2. With whom did Neotel deal at Homix?

26.3. What was the mandate and who were Homix supposed to engage with at Transnet?

26.4. Did Anoj Singh (Transnet's erstwhile CFO) know who Homix was and that Transnet was engaging with an agent, and the extent of the fee paid to the agent?

27. Joshi indicated that he did not know Homix and did not engage with Homix in any manner. Joshi also noted that Neotel had performed its own investigation into the payments that were made to Homix, and that in Neotel's view the payments that were made to Homix and reasons for the payments were valid.

28. Joshi advised us that he was introduced to Homix by Neotel's General Manager, Strategic Customers, namely Francois Van der Merwe ("Van der Merwe"), and that communications between Neotel and Homix took place through Van der Merwe as the key contact person within Neotel in respect of the Homix Contract.

29. Dennis asked if the Homix payment was approved by Neotel's Board. Joshi confirmed that he had obtained Board approval and would send a note to Dennis in this regard.

30. Dennis indicated further that Deloitte had concerns about the payment made to Homix, and that the Deloitte audit team needed to understand the commerciality of the fee paid and required support that the payment was not a facilitation payment which could bring the MSA into question.
31. Based on the above concerns, the Deloitte audit team became increasingly suspicious about the commercial validity of the Homix transaction, as a result of which further investigations were undertaken by Deloitte.

FURTHER INVESTIGATIONS

32. I met with Van der Merwe on 13 April 2015. Minutes of this meeting are attached to this statement as "CV3".
33. Van der Merwe provided background to the Transnet MSA process, the "CCTV1" transaction and the "CCTV2" transaction. He provided further details around Homix and confirmed that his contact person at Homix was "Ashok".
- 33.1. Van der Merwe subsequently confirmed by email that the "Ashok" to whom he referred during our meeting was "Ashok Narayan Puthenveedu".
34. Van der Merwe advised me that Joshi had suggested to Van der Merwe that he engage Homix in respect of the Transnet MSA.
35. Dennis and I reviewed the information and did searches on "Ashok" which we identified and linked to the Sahara Group of Companies which is linked to the Gupta family. This led us to be more concerned about the commerciality of the fees paid to Homix.

36. I also engaged with the Neotel Company Secretary, Theko, on 14 April 2015. Theko advised me that he had looked at whether or not any money had been paid to a Neotel employee in relation to the Homix transaction and confirmed that no money had been paid to Joshi, Van der Merwe or Anoj Singh flowing from the Homix transaction. Theko did not investigate the matter any further.

37. During the Deloitte audit team's review of the Homix transactions, the Deloitte audit team requested information and documents around the on-Boarding process, the contract with Homix and other supporting documentation relating to Homix.

38. The following concerns were noted by the Deloitte audit team:

38.1. a CIPC search on the registration number of Homix as per the Homix contract (2012/176951/07) returned no result;

38.2. telephone calls made to the specified contact details ((012) 654 0183) were unanswered (Specified contact details refers to telephone details noted on the onboarding information or invoice);

38.3. an Internet search on the registered address of Homix (192 Springbok Street, Wierda Park) returned the address as being registered to a charity;

38.4. the website address mentioned in the Homix Contract (www.homix.co.za) did not return a valid webpage;

38.5. Deloitte obtained the on-Boarding information for Homix as a vendor to Neotel. The controls applied by Neotel for the loading of creditors on its system did not appear to have been followed, as standard information

required before upload was not available. This included company registration documents, proof of banking details, and copies of IDs of directors;

38.6. the Homix Contract was signed by Joshi, without Board approval. This appeared to fall outside of the scope of Joshi's authority as CEO. I discuss this point in greater detail below with regard to the first RI that was reported by Deloitte to the IRBA in relation to Neotel; and

38.7. the invoice was submitted to Neotel's finance department with a request for payment of a "once-off vendor", indicating that management did not intend to utilise the supplier again. This request for payment was approved by both Whiley and Joshi;

ENGAGEMENT WITH THE BOARD, AUDIT COMMITTEE AND OTHER PARTIES

39. Dennis, through Deloitte, engaged external attorneys (Cliffe Dekker Hofmeyr Inc.) ("CDH") to assist us as partners with legal aspects of the matter due to the significance and complexity of the matter.

40. Deloitte addressed a letter relating to the Homix matter to the Board dated 17 April 2015 as we were not satisfied with the information and explanations provided by management. In this letter we posed a number of questions to the Board of Neotel, in the hope that the answers to these questions would assist us to conclude on whether or not there was an acceptable commercial basis for the Homix transaction. A copy of Deloitte's 17 April 2015 letter is attached to this statement as "CV4".

41. A special Audit Committee meeting was scheduled for 21 April 2015 in order for us to discuss our concerns relating to the Homix transactions and our 17 April letter with the Neotel Audit Committee.
42. Minutes of the 21 April 2015 Audit Committee meeting are attached to this statement as "CV5".
43. Subsequent to the 21 April 2015 meeting with the Audit Committee, Deloitte evaluated the information it had obtained from management in response to queries addressed to management in relation to the Homix transaction and payments made to Homix. Deloitte concluded that it had a reporting responsibility in terms of s45 of the Auditors Profession Act, 2005. The first RI letter that was issued to the IRBA on 28 April 2015 ("**the first RI**"). A copy of the first RI is attached to this statement as "**CV6**".

THE FIRST RI

44. The basis of the first RI reported is explained below. Neotel had in place a Delegation of Authority policy recording the nature and extent of the powers and authorities delegated by the Board to the CEO and designated signatories of Neotel ("**the DOA**"). The DOA provided specifically that "The approval of the Board must be obtained for all matters that are beyond the powers and authorities delegated herein".
45. A copy of the DOA is attached to this statement as "**CV7**".

46. In the opinion of the Deloitte audit team, Joshi had breached the DOA when he authorised the Homix transaction and consequential payment to Homix without Board approval.

47. Section 1 of the Auditing Profession Act, 2005 (**"the APA"**) defines an RI as follows:

"reportable irregularity" means any unlawful act or omission committed by any person responsible for the management of an entity, which-

(a) has caused or is likely to cause material financial loss to the entity or to any partner, member, shareholder, creditor or investor of the entity in respect of his, her or its dealings with that entity; or

(b) is fraudulent or amounts to theft; or

(c) represents a material breach of any fiduciary duty owed by such person to the entity or any partner, member, shareholder, creditor or investor of the entity under any law applying to the entity or the conduct or management thereof."

48. We took the view that Joshi had committed an unlawful act by breaching the DOA as we considered this conduct to be contrary to section 76(3) of the Companies Act, which section obliges directors of companies inter alia to act in the best interests of the companies they serve. The payment made by Neotel to Homix undoubtedly caused "material financial loss" to the entity.

49. In the circumstances, we reported the first RI to the IRBA on 28 April 2015.

50. Furthermore, one of my trainees was asked by her manager to see Ms Elbie van der Merwe, General Manager Corporate Finance & Treasury, to obtain the waiver letter on the EBITDA covenants which had been received from the lenders' agents. Ms van der Merwe then made very disparaging comments around Deloitte partners said that "Deloitte partners were pedantic and that we would be the reason for Neotel going down". She went further with comments around myself specifically, which are very concerning. She is quoted as having said "that Chetan must know of xenophobia and that we know that he is a Zimbo and we know people that can sort him out".

51. Dennis raised this threat on a Deloitte partner with the Chairman of the Board on 16 May 2015. An apology was received from the Chairman and a disciplinary enquiry was followed by Neotel.

THE WERKSMANS INVESTIGATION

52. Subsequent to the special Audit Committee meeting that Dennis and I attended on 21 April 2015, the Board initiated an independent professional investigation into the Homix transaction through Bernard Hotz ("**Hotz**"), a partner and head of Forensic Investigations at Werksmans Attorneys ("**Werksmans**"). The investigation commenced on 4 May 2015.

53. On 20 May 2015 we received a letter signed by the Chairman of the Board in which he inter alia explains that the investigation is not complete, and that Transnet had been approached by Neotel to assist Neotel with its investigation in relation to the Homix transaction. According to the letter Transnet's response was that it was confident in its procurement process and that it would consider

the request for interviews if Neotel could present it with concrete evidence of any wrongdoing on the part of Transnet executives. A copy of the correspondence with Transnet is attached as **CV7.1**.

54. A copy of Neotel's 20 May 2015 letter to Deloitte is attached hereto as "**CV8**".

55. Deloitte replied to **CV8** on 22 May 2015 with a letter wherein Deloitte inter alia reiterated its request for answers to the questions it posed in Deloitte's letter to Neotel of 17 April 2015 (annexure CV4), and indicated that Deloitte's reporting deadline in respect of the first RI was 28 May 2015, and could not be extended. A copy of the letter is attached hereto as "**CV9**".

55.1. In this regard, the APA requires that if an RI is reported, the Auditors must send a further report within 30 days of the date when the RI was first reported, stating either that the RI never existed (in other words, withdrawing it), that it has been resolved, or that it is continuing.

56. Deloitte received a further letter from the Board on 26 May 2015. Copies of this letter, together with Deloitte's response dated 27 May 2015 are attached to this statement as "**CV11**" and "**CV12**" respectively.

57. An audit committee meeting was scheduled to take place at Neotel on 26 May 2015. This meeting was cancelled and Deloitte was invited to attend a meeting at attorneys Norton Rose Fulbright. Dennis and I attended this meeting. At the meeting, the discussion revolved around the information from the Werksmans investigation being "legally privileged" and the lawyers and audit committee were assessing what they required from Deloitte to conclude. Dennis and I indicated

that we required the results of the investigation that had been initiated by the Board in order to conclude on the Homix matter, and that if such information was not forthcoming, the audit opinion would be a disclaimer.

58. Deloitte sent its second letter to the IRBA in respect of the first RI on 28 May 2015, indicating that the RI was still continuing. A copy of Deloitte's letter to the IRBA of 28 May 2015 is attached hereto as "**CV13**".

THE SECOND RI

59. Deloitte received a letter from Neotel on 5 June 2015, ostensibly outlining Neotel's summary of the findings of the Werksmans investigation, and answering the questions that Deloitte had posed in CV4. A copy of Neotel's letter of 5 June 2015 is attached to this statement as "**CV14**".
60. On 9 June 2015, Deloitte responded to Neotel's 5 June 2015 letter. It was Deloitte's view, having considered Neotel's answers to our questions, that there was not sufficient evidence to support the commerciality of the Homix Contract, and that the answers provided by Neotel to Deloitte's questions only invited more questions from Deloitte. We furthermore indicated that persons in positions of authority at Neotel should consider their reporting obligations in terms of section 34 of the Prevention and Combatting of Corrupt Activities Act ("**PRECCA**") and that failure to do so could in itself constitute an RI. A copy of Deloitte's 9 June 2015 letter to Neotel is attached to this statement as "**CV15**".
61. Dennis met with certain representatives of the Neotel Board, together with Hotz, at Werksmans' offices on 13 July 2015. I could not physically be at Werksman's

offices and therefore dialled into the meeting. We were advised that Neotel had reported suspicions to the relevant authorities in terms of PRECCA and we were provided with a summary of this report. A copy of the report summary is attached to this statement as **"CV16"**.

62. We were furthermore provided with a copy of a letter addressed by Homix to Neotel detailing the work that had allegedly been undertaken by Homix in order to secure the MSA between Neotel and Transnet. A copy of the Homix letter dated 2 July 2015 is attached to this statement as **"CV17"**.
63. In Deloitte's view, Neotel's answers to Deloitte's questions posed in CV4 and the various meetings that were held, and documents provided to Deloitte, did not address Deloitte's concerns around the commerciality of the fees paid to Homix.
64. Neither the CEO nor the CFO of Neotel (Joshi and Whiley respectively) conducted any due diligence investigations into Homix prior to Homix being engaged, nor did they ask any questions about what actions Homix intended to take in order to resolve the impasse between Neotel and Transnet. In Deloitte's view, this conduct was not in the best interests of Neotel, and caused the company to sustain a considerable financial loss.
65. Accordingly, Deloitte reported a second RI to the IRBA on 14 July 2015 (post the Werksman's briefing) based on Joshi and Whiley's breach of the Companies Act and their common law duties as directors of a company to act in the best interests of the company, which actions resulted in a substantial financial loss to Neotel ("the second RI"). A copy of the second RI is attached to this statement as **"CV18"**.

66. Neotel responded to the second RI on 7 August 2015. A copy of Neotel's letter to Deloitte dated 7 August 2015 is attached to this statement as "CV19".

THE VODACOM TRANSACTION

67. Neotel at the time was subject to a takeover by Vodacom as the shareholders of Neotel sought to exit the business. However, the transaction with Vodacom failed to conclude and complete and the sale was abandoned due to the Homix matter and other regulatory matters.

WAIVERS AND DISCLAIMERS

68. A further issue that was being addressed between Deloitte and Neotel at the time of the second RI was interactions between Deloitte and Neotel in relation to Deloitte's disclaimer of opinion in respect of the March 2015 audit of Neotel.
69. Neotel sought a means by which to move away from the disclaimer that Deloitte had indicated it would issue, based on what Deloitte considered to be the pervasive effect of the issues created by the Homix transaction on Neotel's financial statements.
- 69.1. In Deloitte's view, the Homix matter was significant and pervasive as it potentially impacted the following:
- 69.1.1. the existing Transnet MSA and the existing transactions recorded under the contract. By engaging Homix and agreeing to pay a success fee to Homix in the Homix Contract, Neotel

had breached the Transnet MSA which allowed Transnet to cancel the MSA should it so elect.

69.1.2. the Long Term Funding Common Terms Agreement (LFCTA) and the implications considering a breach of the agreement may have resulted in the loans being callable on demand;

69.1.3. a potential sale transaction to Vodacom as the matter would require disclosure in terms of the sale and purchase agreement warranties. Refer to paragraph 65.

These matters collectively impacted the severity of the opinion and the inconclusive nature of the matter resulted in a disclaimer.

69.2. The Audit Committee asked Deloitte for their view and how the disclaimer opinion could be resolved. Deloitte was of the view that, in order to move away from a disclaimer of opinion in respect of the 2015 financials it required the following:

69.2.1. A waiver from Transnet of its right to withdraw from the MSA based on Neotel's breach of the MSA by using an agent;

69.2.2. Waivers from Neotel's lenders around the Homix transaction;
and

69.2.3. A waiver from Vodacom in respect of the Homix transaction.

70. Neotel's Audit Committee advised Deloitte that the lenders had been briefed and that they were managing the waiver process as required.

71. The Audit Committee briefed Deloitte that they were seeking a waiver from Transnet. However, it was unlikely that a waiver from Transnet would be

received. Neotel was seeking a legal counsel opinion on the validity of the contract as a result of a breach of the terms of the agreement. Following the legal advice, Neotel had fully disclosed the matter to Transnet, continued to trade with Transnet under the contract (and vice versa) and had to wait 90 days from notification to Transnet for any action or termination from Transnet. Should there be no action from Transnet, the contract would continue to remain valid. The matter required full disclosure in the accounts in the absence of a waiver which was complied with.

72. The audit committee also briefed Vodacom and the impact of a waiver was raised with Deloitte. Deloitte advised that it would consider the impact of not receiving a waiver from Vodacom.
73. On 31 July 2015, the Mail & Guardian published an article titled “ ‘Kickback’ scandal engulfs Transnet” which relates to Neotel, Transnet and the Homix transactions. On the same day, the CEO Joshi and CFO Whiley were placed on special leave pending an investigation into alleged bribery and corruption at the telecommunications operator (Refer to article on Tech Central – Neotel CEO on ‘special leave’ as scandal erupts).
74. The Board of Neotel appointed external legal advisors to investigate and pursue internal disciplinary proceedings as are lawfully required. The CEO and the CFO were placed on special leave of absence to facilitate the unimpeded pursuit of this investigation process. During the disciplinary proceedings against the CEO and CFO, under the guidance of the Company's external advisors, the CEO and CFO resigned from the Company on 30 November 2015.

75. A meeting was called for by Neotel's minority shareholders – Nexus Connexion (SA) (Pty) Ltd ("Nexus") represented by Eugene Ruiters and John Roberts (Advisor to Nexus), which meeting I attended together with Dennis and Michelle Viljoen (Deloitte Senior Manager) on 5 August 2015. This meeting was approved by the audit committee. The Deloitte team briefed Neotel's minority shareholders on the events relating to Homix that impacted Neotel and the status of the 2015 audit. During this meeting, the minority shareholders raised with us that do we know who this is linked to and have we considered personal protection for ourselves. Dennis and I subsequent to this meeting raised the matter with our Firm Leadership and took personal protection.
76. Furthermore, a meeting was called by the Agent of the Finance Parties and the IDC MF Lender and as Lenders Agents represented by Nedbank Limited (Mr Mike Peo and Mr Iain Macaulay) and Investec Limited (Mr Robert Gecelter) together with the Lenders attorneys Faskin Martineau (Mr Ashen Jugoo and Mr Jamie Macdonald) in order to understand the position directly from Deloitte. This meeting was held at Faskin Martineau (the lenders' attorneys) on 13 August 2015. Dennis and I briefed the lenders on the Homix events impacting Neotel and the status of the 2015 audit. The waiver was provided on 14 December 2015 and 30 June 2016. A copy of the waiver is attached to this statement as "CV20" and "CV21".

The lenders actions are disclosed in Note 37 of the financial statements and includes the following:

"The lenders have acceded to certain waiver of certain rights which the lenders may have now or in the future under the LFCTA in connection with

the payments to Homix. The waivers were requested because the present facts together with facts as may possibly emerge in future, could indicate a breach of certain warranties by the company under the LFCTA and also have an impact on the enforceability and/or possible rescission of the Transnet MSA, which in turn may trigger certain rights of the lenders under the LFCTA. The company requested the lenders to waive their rights under clauses 1.190A, 1190A3, 1190A5, 30.16.5, 30.18, 35.4 and 36.63 of the LFCTA. The lenders have indicated that they do not think it is appropriate to grant waivers for the potential breaches of these clauses of the LFCTA as, it appears to them, based on the information provided, that no default has occurred and/or is continuing in respect of these clauses. Thus, it remains within the lenders rights under the LFCTA to call an event of default should further adverse information come to the fore in relation to these matters in addition to those that exist as at the date of approving the accounts.”

PRIVILEGED INFORMATION AND ADDITIONAL RIS

77. Following receipt of the lenders' waiver and the disclosure on the validity of the Transnet MSA , the closure of accounts was being finalised in December 2015. Deloitte had requested that each of the Neotel directors sign a management representation letter in their individual capacities. The letter was provided to the Board on 11 November 2015 for the directors to review.
78. A meeting was called by Memani on 23 December 2015 to discuss the representation letter. In attendance at the meeting were Memani and me at Neotel offices and Pham, Reynolds, Theko, Bux, and Dennis by conference call.

The Vodacom Transaction and the representation letter were discussed during this meeting.

79. A line-by-line review of the representation letter took place during the meeting. Amendments to the letter were agreed upon, except for the disclosure of information. Reynolds indicated that the directors were unable to sign the letter as there was apparently privileged information which they were unable to share with Dennis and me. I indicated in response that if the information related to Neotel, the company, then we as auditors would require sight of the information. Failing that, Dennis and I would need to consider the impact of this on our audit opinion. The matter was left on the basis that Deloitte would consult on the matter.
80. Dennis and I met with Memani on 14 January 2016 to discuss the Vodacom Transaction which was followed by a meeting with attorney Kevin Cron from Norton Rose Fulbright on 15 January 2016. At the meeting on 15 January, Deloitte discussed the Vodacom transaction and the legality and implication on the financial statements which was subject to debate between Deloitte and Memani. Following resolution of the matter and meeting, Dennis and I raised the fact that the "privileged information" discussed during the 23 December 2015 meeting had not been provided to us. Memani instructed Michael Hart from Norton Rose Fulbright to make the information available to the Deloitte audit team for purposes of the audit.

81. The "privileged information" was accordingly made available to Dennis and me. It consisted of files and reports arising out of the Werksmans Investigation not provided to Deloitte previously.
82. The information and documentation was reviewed by Dennis, Kimm Matsose (Deloitte Manager), Johan Erasmus (Deloitte Director) and me under the supervision of Norton Rose Fulbright at their offices over 4 days.
83. Our audit documentation was based on reading the Werksmans files and information and making relevant notes and extracts during our review in January and February 2016. The following information has been extracted from the Werksmans files in order to consider on the 2015 financial statements and its related opinion as well as our reporting obligations in terms of the Auditing Professions Act.
- 83.1. Extracts from "Preliminary report to enable the board of Neotel to prepare a response to Deloitte" (dated 19 May 2015)
- 83.2. Extracts from "Second Preliminary report to enable the board of Neotel to consider the evidence as at the cessation of our mandate – 26 June 2015" (dated 30 July 2015 per header)
- 83.3. Extract from "Transcript of interview with Steve Whiley on 6 May 2015", Page 65:
- 83.4. Extracts from "Transcript of interview with Mr Sunil Joshi on 12 May 2015"
- 83.5. Extracts from "Transcription of interview with Ashok on 11 May 2015"

- 83.6. Extracts from "Transcription of interview with Ashok Singh on 14 May 2015"
- 83.7. Extracts from "Preliminary report – investigation executive summary: Homix (Pty) Ltd and related entities" – Basileus Consilium Professional Services (Pty) Ltd – dated 31 July 2015
84. Deloitte's review of the documents and information resulted in five additional RIs being reported to the IRBA on 8 February 2016 based on the Homix matter and late annual financial statements.
85. The five additional reportable irregularities are as follows
86. We had reason to believe that the directors and/or prescribed officers of the company reasonably ought to have known or suspected that the Homix Consultancy agreements resulting in success fees of R61 million (excluding VAT consisting of R36 million on the Master Services Agreement with Transnet and R25 million on the sale of assets contract with Transnet) had no apparent business or lawful purpose, and failed to report this fact to the Financial Intelligence Centre within the 15 business day period as required in terms of Section 29 of the FICA. A fee of R30.3 million (excluding VAT) was also paid to Homix for the Cisco deal. (R13)
87. We had reason to believe that the directors and/or prescribed officers of the company ought reasonably to have known or suspected that the offence of corruption was committed and failed to report this offence to any police official in terms of section 34 of PRECCA (R14)

88. We had reason to believe that a reportable irregularity, as defined in the Auditing Profession Act, has taken place in connection with the company entering into back to back transactions (albeit with a margin) with a customer and a supplier (CCTV transactions). A success fee arrangement of R45 million relating to the CCTV transactions was made by Homix to the supplier of Neotel. The commerciality and business/lawful purpose of fees to Homix in other transactions relating to the same customer brings into question the CCTV transactions and the related success fees proposed and/or paid. I have reason to believe that the directors and/or prescribed officers of the company ought reasonably to have known or suspected that the offence of corruption was committed and failed to report this offence to any police official in terms of Section 34 of PRECCA. (RI5)
89. We had reason to believe that the directors and/or prescribed officers of the company reasonably ought to have known or suspected that the transaction referred to above paragraph 75.3 had no apparent business or lawful purpose, and failed to report this fact to the Financial Intelligence Centre within the 15 business day period as required in terms of Section 29 of the FICA. (RI6)
90. The fifth RI is related to the late preparation of the annual financial statements for the year ended 31 March 2015 which were not prepared and approved within 6 months of the financial year as required in terms of Section 30(1) of the Companies Act of South Africa 2008. This non-compliance was considered to be a material breach of the directors' fiduciary duties. (RI7)
- 90.1. Copies of the additional RIs are attached to this statement as "CV22" to "CV26" respectively.

91. On 9 March 2016 we sent the second reports as required by the APA to the IRBA in respect of each of the RIs attached as CV21 to CV26, reporting that the RIs were continuing.
92. Deloitte received responses from the Board late on 9 March 2016, copies of which are attached hereto as "CV27" to "CV31" respectively.
93. A revised waiver letter was issued on 30 June 2016, a copy of which is attached to this statement as "CV21..."
94. During this period from 9 March 2016 to 30 June 2016, the 2016 audit was in progress and a significant outstanding matter was the required funding of approximately R1.5 to R2.1 billion to conclude on the going concern. The absence of further funding from shareholders or lenders delayed finalising of the financial statements for both 2015 and 2016.
95. The shareholders and Liquid Telecoms had concluded a sale and purchase agreement on 26th June 2016.
96. On the 15 September 2016, I received approval from the Audit Committee to engage with Kate Hennessy, Group Financial Director of Liquid Telecommunications in order to consider the impact of the sale transaction and new shareholder funding on the going concern basis of conclusion. The resolution of the funding shortfall was considered through the sale transaction and this would require the sale of the company to the new shareholders to be effective and all conditions precedent in the agreement to be met in order to sign of the financial statements on a going concern basis.

97. The sale of the company to Liquid Telecom was completed on 10 February 2017 with the conditions precedent to the sale and purchase agreement being complete and on this date the financial statements for 2015 and 2016 were signed by the auditors.
98. The audited financial statements were qualified in respect of the commerciality of the Homix transactions and disclosure on this matter is noted in the financial statements.
99. A copy of the Homix contracts is attached to this statement and is titled the New Business Consultancy Agreement as **CV32** and **CV33**.



CHETAN VAGHELA

DATE: 16 April 2019

ANNEXURE CV 1



MINUTES OF MEETING WITH NEOTEL

Date: 9 April 2015
Time: 15:00
Location of meeting: Neotel CFO boardroom

The meeting was attended by:

Name	Function	Location
Andre Dennis	LCSP	Neotel
Chetan Vaghela	Engagement partner	Neotel
Michelle Viljoen	Engagement senior manager	Neotel
Steven Whiley	CFO	Neotel

MINUTES OF MEETING

- AD requested more information from SW regarding the Homix commission transaction.
- SW commented that he doesn't have information on Homix, he doesn't know who they are but he is aware that Neotel made 2 payments to Homix in the current year (one in October 2014 of approximately R30 million and another payment in February 2015 of R36 million)
[DTT corroborated and first payment was in fact not made in October but was made on the 3rd of April 2014 for an amount of R34 533 819.88. The second payment was made on the 27th of February 2015 for an amount of R41 040 000. Refer working paper <6100.02>].
- The payment made in February 2015 relates to a 2% commission payable on the successful conclusion of the Transnet MSA. The MSA negotiations with Transnet came to an impasse. Members of the C-suite got together and Sunil suggested contact Homix. The involvement of Homix was initiated by Sunil (he sent email to transaction committee suggesting use of Homix). Members of the transaction committee are among others Tracey Cohen (Head of Legal), Steven Whiley (CFO), Sunil Joshi (CEO) and Francois van der Merwe (Transnet GM).
- Homix got discussions on track again and resulted in successful conclusion of deal on 19 December 2015.
- The payment falls within Sunil Joshi (CEO)'s domain and delegation of authority.
- SW mentioned that the first payment related to Homix bringing the CCTV 1 deal to Neotel
- SW said that background checks on Homix has been performed 2 weeks ago and no findings noted. AD said this is contradictory to Deloitte background check performed as these revealed that Homix company is currently under deregistration.

Refer to memo on Homix – **11010.1** for the full matter and resolution thereof.

ANNEXURE CV 2



MINUTES OF MEETING WITH NEOTEL**Date:** 11 April 2015**Time:** 11:00**Location of meeting:** Melrose Arch**The meeting was attended by:**

Name	Function	Location
Andre Dennis	LCSP	Melrose Arch
Chetan Vaghela	Engagement partner	Melrose Arch
Sunil Joshi	CEO	Melrose Arch
Steven Whiley	CFO	Melrose Arch

MINUTES OF MEETING

- AD raised the matter around the Homix transaction with SJ and SW to which SJ questioned whether SW not taken us through the matter and circumstances around it.
- AD responded that SW has taken us through the matter, but we felt the need to discuss the matter with CEO and understand the detail more fully
- SJ explained the transaction and the Transnet negotiations came to an impasse on 12 December and the management team were at a standstill. The team came together and Francois suggested they use Homix who has previously helped them on a transaction.
- SJ indicated that Homix wanted a 10% fee (in line with the previous transaction) and they negotiated them down to 2% as at 10%, the deal would not be justified
- SJ indicated that he did not know Homix and did not engage with Homix in any manner.
- AD asked SJ specifically :
 - Who engaged them and who did they deal with at Homix
 - What mandate and who were they supposed to engage with at Transnet
 - Does Anoj Singh know who Homix was and that they, Transnet were engaging with an agent and the extent of the fee that was paid to the agent.

Francois van der Merwe (GM: Transnet) knows Homix and engages with Homix.

- SJ offered to call Anoj Singh (CFO) and we can ask?
- AD asked if the Homix payment was approved by the board.
- SJ indicated that he has Board approval and will send the note to AD.
- AD indicated that we have a concern around this payment and that we need support that this is not a facilitation payment which could bring into question the MSA.
- SJ indicated that they have the same concern and as a result he requested the team to investigate this two weeks ago to ensure that it is above board.
- SJ indicated that we can meet with Francois and Calvin and make the necessary enquiries.
- SJ mentioned that the use of an agent is normal practice and said with respect to the Standard Bank deal – "who do you think whom paid whom".
- AJD responded make contact with the FD Simon Rudley and ask what changed from the date of awarding the contract to withdrawing the award and why.
- AJD was prepared to provide contact details for the FD of Standard Bank
- SJ indicated that if he could he would have used an agent to do the same on the Standard Bank deal and we as auditors can keep digging as much as you like.

Refer to memo on Homix – **11010.1** for the full matter and resolution thereof.

ANNEXURE CV 3



MINUTES OF MEETING WITH NEOTEL

Date: 13 April 2015
Time: 15:00
Location of meeting: Neotel finance boardroom

The meeting was attended by:

Name	Function	Location
Chetan Vaghela	Engagement partner	Neotel
Michelle Viljoen	Engagement senior manager	Neotel
Francois van der Merwe	Neotel General Manager	Neotel

MINUTES OF MEETING

- CV and MV asked for background to all the Transnet transactions that took place during the current financial year.
- FVDM provided an overview of all the Transnet transactions that took place in the current year:
 - Routers and switches transaction in March 2014;
 - CCTV 1 in June/July 2014
 - MSA
 - Sale of assets
 - Mobilisation
 - CCTV 2
- There is currently a transaction lined up with Transnet relating to Neotel doing electrical work for Transnet. As part of the LAN/WAN upgrades, the rooms for the routers and switches need generators and electrical work. Neotel will do the bill of material, Transnet to approve and then to obtain 3 quotes. The budget for this transaction is R850 million. This transaction will take place in 4 months' time.
- The Transnet MSA transition period ends 30 November 2015. Switches and routers are installed over a period of transition and as the upgrade to the network takes place.
- Transnet has taken ownership of the routers and switchers equipment. Transnet needs to extend the maintenance agreement as there is a delay between purchase date and date of network upgrade.
- FVDM provided an overview of the MSA process:
 - In November 2013, Neotel lost the Transnet tender – the tender was awarded to T-systems.
 - Neotel and Transnet signed an extension agreement that terminated in December 2014;
 - In January 2014 Homix sent a letter to FVDM notifying Neotel of a deal at Transnet that Neotel wasn't invited to tender for (that is how Neotel became aware of routers and switchers deal and how they became aware of Homix).
 - Neotel was made aware by their 2 contact people at Transnet (Gerrie and Yusuf) that Transnet has an exit plan from Neotel – being Dimension Data. According to FVDM, Transnet has trust issues with Neotel.
 - CV asked FVDM – who Homix were and their background
 - FVDM answered – Homix is a Dubai based company, they offer specialised consultancy services with staff of 100 employees. They have offices in South Africa and their offices are based in Pretoria, Silverton where FVDM has visited before. However, he usually meets with Homix at Melrose Arch.
 - Homix does a lot of work for Transnet and government (they play at Board level).
 - CV asked FVDM – who does he deal with specifically at Homix
 - FVDM's replied that his contact person at Homix is Ashok. He doesn't recollect his surname, but he would send his details to me. According to FVDM Ashok is the president of Homix's Middle East and African business. FVDM also indicated that he could arrange a meeting for CV if we would like to meet him. CV indicated that there was no need to meet him.
 - Homix was able to swing the MSA deal for Neotel because Transnet didn't sign a legally enforceable agreement with T-systems as the MSA stipulates the supplier needs to be the "sole supplier", which T-systems at that point wasn't.
 - Neotel's contacts at Transnet with regards to the MSA are Gerrie van der Westhuizen and Yusuf Mahommed. These 2 individuals were told by Transnet that out of 104 white and

Indian employees in a certain division, only 4 are going to be retained. As a result of the above and no future at Transnet, these two individuals were leaving - Yusuf therefore left Transnet at the end of November 2014 and Gerrie left in December 2014. [Gerrie remained with Transnet until the closure of the MSA, according to FDVM.]

- The wheels came off on the 10th/11th of December 2014. No-one at Transnet was willing to talk to Neotel anymore. Neotel management tried to make contact with Transnet and they were not taking their calls. The information received by Neotel through their sources was that there were talks with Di-data. A meeting between Sunil Joshi, Steve Whiley, Tracy Cohen and FDVM was held during this impasse where the decision to use Homix was made by Sunil. Sunil Joshi sent an email to the Neotel people involved in this transaction, suggesting making use of Homix.
 - Neotel negotiated with Homix a fee of 2% of the MSA. Initially, they wanted 10% which was consistent with the previous deal terms, however this pricing was not acceptable to Neotel as it would make the deal unprofitable.
 - FDVM is expecting another payment of R20m based on the asset sale (dependent on Transnet and Neotel signing the operational agreement).
 - Neotel's new primary contact at Transnet is Helen Walsh and Karl Sisikwa.
- FDVM provided an overview of the CCTV 1 transaction:
 - There is a specific Act that governs ports around the world.
 - In December 2014 Transnet was scheduled to be audited in terms of compliance with this act.
 - In March 2013, a new COO was appointed for Transnet Port Authority. Transnet wanted to sue ESS for non-delivery, which in turn blamed Neotel. Neotel for 8 months travelled around the country to do consultancy work for Transnet. Based on their review, Neotel submitted an 80 page document with findings. Transnet called Neotel to assist with this legal matter (between Transnet and ESS).
 - Based on these developments, in May 2014 Transnet asked Neotel to do CCTV 1 in order to ensure compliance in December 2014 when they'll be audited.
 - FDVM provided an overview of the CCTV 2 transaction:
 - CCTV 2 is an upgrade of CCTV 1.
 - Neotel contracted Techpro (number 1 company in SA does lot of security work).
 - Nice vision in Israel recommended Techpro to Neotel.
 - Techpro provides servers with software on it. An intelligence layer is then built on the software. Cameras and lenses are the "arms" of the systems. Nice vision is the provider of the "intelligence" in these systems. Techpro is the installer and distributor of the systems.
 - In terms of CCTV 1, Neotel is still busy installing some cameras. There is currently still R20m outstanding on the contract (which represents 10% of the solution not completed yet).
 - A letter of award was given to Neotel in terms of CCTV 2. Transnet has taken possession of the equipment. There were Neotel and Transnet employees on site that signed for the equipment.
 - CCTV 1 and 2 are on the same sites. Some of the kit is at Neotel, some Transnet has already taken ownership of. As soon as Transnet signs for equipment, they legally take ownership even though equipment might not be physically delivered at their site.
 - Neotel doesn't have ANY skill in this field. All that they bring to the table is they are setting up a call centre where any complaints on the cameras are reported. Neotel then in turn will phone the Techpro technician on site to attend to the matter.

Refer to memo on Homix – **11010.1** for the full matter and resolution thereof.

ANNEXURE CV 4



CV-037
CV4

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17 April 2015

The Directors
Neotel Proprietary Limited
NeoVate Park
44 Old Pretoria Road
Midrand
2191

Attention: The Chairman

Dear Sirs

We write to you in connection with the New Business Consultancy Agreement between Homix (Pty) Ltd ("Homix") and Neotel (Pty) Ltd ("Neotel") signed on the 19th February 2015. This agreement refers to a fee of 2% of the value of the contract estimated at R1.8 billion, based on the successful conclusion of the Master Services Agreement with Transnet SOC Limited ("Transnet").

Please can management and the Board provide information as requested below, to support the commerciality and substance of the arrangement with Homix:

- The selection criteria and reasons for appointing Homix as a consultancy firm / agent;
- Other service providers which were considered by Neotel in this process;
- The credentials and expertise which Homix possesses and which warranted its engagement by Neotel in connection with the Master Services Agreement with Transnet;
- Did any member of Neotel's management or board inquire from Homix what exactly would be done, undertaken and / or implemented by Homix in carrying out its mandate in connection with the negotiation and/or conclusion of the Master Services Agreement?
- If so, how did Homix respond to the above inquiry and what did it communicate to Neotel that it would do, undertake or implement in carrying out its mandate in connection with the negotiation and/or conclusion of the Master Services Agreement?
- Clear explanation as to the involvement of Homix in the Transnet deal and the scope of work and performance criteria which Homix was held accountable for as it relates to this assignment;
- The terms and conditions relating to Homix's involvement in the price negotiation;
- The mandate and terms of reference that Neotel provided to Homix to negotiate to;
- Clear explanation as to what Homix brought to the table in the context of the negotiation and conclusion of the Master Services Agreement which Neotel do not hold or have access to internally;
- Which individual at Homix did Neotel deal or engage with, and what was the individual expected to do for Neotel?
- Did Neotel require Homix to engage with any particular individuals at Transnet, and if so, who were these individuals?
- Was Transnet made aware that Neotel was going to engage, or had engaged, Homix, or any other agent, in connection with the negotiation and conclusion of the Master Services Agreement?
- Please provide information and documentation showing compliance with the levels of authority as per the Board approvals framework and / or showing that there was authority from the Board of Neotel to transact with Homix, eg a board resolution or minute;

National Executive: LL Barn Chief Executive AE Swiegers Chief Operating Officer GM Pinnock Audit
DL Kennedy Risk Advisory NB Kader Tax TP Pillay Consulting K Black Clients & Industries
JK Mazzocco Talent & Transformation CR Beukman Finance M Jordan Strategy S Gwala Special Projects
TJ Brown Chairman of the Board MU Comber Deputy Chairman of the Board

A full list of partners and directors is available on request

B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code

Member of Deloitte Touche Tohmatsu Limited


Page 2
Neotel Proprietary Limited
31 March 2015

- The process and result of Neotel's own assessment of the Homix relationship as this was indicated by the CEO on Saturday 11 April 2015, as a process followed by his team during March to ensure that the payments to Homix are not irregular by nature.

We require the above information to assess the commerciality of the arrangement and to support the fee paid and / or payable to Homix, as part of our general duties under auditing legislation. This is required before we can opine to the annual financial statements.

We trust that you understand the importance of this matter and that this would receive the immediate and urgent attention of the board and management of Neotel.

Yours faithfully


AJ Dennis
Partner
Deloitte & Touche
Registered Auditors

CC: Sunil Joshi, Chief Executive Officer, Neotel
Steven Whiley, Chief Financial Officer, Neotel
Calvin Theko, Company Secretary, Neotel
N Venkatram, Deloitte Haskin & Sells, India
R Banga, Deloitte Haskin & Sells, India

ANNEXURE CV 5



MINUTES OF EMERGENCY AUDIT COMMITTEE MEETING OF NEOTEL**Date:** 21 April 2015**Time:** 15:00 (Deloitte attended at 16:10)**Location of meeting:** Neotel TP room**The meeting was attended by:**

Name	Function	Location
Andre Dennis	Lead Client Service Partner	Neotel
Chetan Vaghela	Engagement partner	Neotel
Michelle Viljoen	Engagement senior manager	Neotel
Kennedy Memani	Neotel non-executive director	Neotel
Robert Peter Offner	Neotel non-executive director	Neotel
Tri Luu Pham	Neotel non-executive director	Neotel

MINUTES OF MEETING

- The AC(audit committee) Chair requested one of the auditors to lead and provide background to the letter the committee to understand ; AD took the lead and presented the background and reasons for the his letter;
- AD provided an overview of the transaction, explaining that this transaction was identified during creditors testing performed in February 2015. The unusual creditor resulted in our audit tests on the background of this entity, request for the on boarding information and understanding the service rendered by Homix. CV reiterated that in our audit testing it was noted that the fee payable was a success fee on the Transnet MSA for 2% of R1.8 billion being R36 million (ex VAT). Discrepancies were identified on the audit evidence obtained, such as inconsistent spelling of the registered address, 2 different registration company numbers being used, and upon further investigation it appears that this entity is under deregistration
- KM said the discrepancies are concerning
- AD said we had meetings with the CFO on 9 April where he expressed our concern around Homix and the transactions. We explained the discussion with the CFO. *"Steve Whiley (SW) said he did not know Homix and did not deal with Homix directly. SW explained the impasse transaction and the management team discussion at the time, and Sunil suggested we use Homix."* Due to the limited information from the CFO, we requested to meet with the CEO Sunil Joshi and we went across to meet him that afternoon. The CFO said that they have made use of Homix before and that a payment of R30 million was made in Sep/Oct 2014 for the CCTV deal. Upon further audit investigation, it was determined that payment was actually made in April 2014 for the Cisco Switches and Routers deal.
- AD indicated that we (AD & CV) met with CEO and CFO on 11 April at 11am at Melrose Arch Hotel to discuss the matter. CEO asked if the CFO had not explained the transaction which we indicated positive but needed more information. CEO explain the same events around the impasse and at the time indicated that Francois van der Merwe (FDVM) (GM – Transnet account) suggested we use Homix. SJ indicated that he does not know Homix and he has not met Homix and that FDVM knows Homix and we can meet and ask FDVM for information on Homix.
- AD requested CV to provide input on the discussion with FDVM as CV and MV met with him and CV met with Calvin Theko (CT).
- CV explained the information that FDVM provided as follows: *"Homix
"FDVM answered - Homix is a Dubai based company with staff of 100 employees. They have offices in South Africa and their offices are based in Pretoria, Silverton. His contact person at Homix is Ashok and provided details in an email Ashok Narayan Puventhee. FDVM also indicated that he could arrange a meeting for CV if we would like to meet him. CV indicated that there was no need to meet him."*
- CV explained he met with CT who was not involved in the decision making of Homix. He does not know Homix and has not dealt with them.
- Regarding this transaction, AD therefore explained that no one in management can provide a clear answer as to who Homix is, what is the scope of work agreed upon, who does Homix engage with at Transnet, does Transnet know that an agency is involved, what their mandate was, what terms of or authority of price negotiation they had etc. i.e. the questions raised in the letter to the board.
- TLP asked whether we would have a different view if the amount was a fixed amount rather than a % of the contract value.

- AJD said it is not relevant because the question remains, what did the agent do for the fee and what was the commerciality of engaging the agent – the questions in the letter would have remained the same.
- KM said making use of agents and paying an agents fee isn't abnormal
- KM asked AD why his letter is addressed to the Board
- AD said that the CEO, CFO, Francois and Calvin could not provide appropriate, answers and or responses to our questions and that the CEO said to him that Board approval was obtained for this transaction and the Board approves the Transnet MSA transaction. The CEO also forwarded him an email that the CEO sent to the Board, however in AD's view that email doesn't ask for approval, it merely mentions the transaction and doesn't even mention the amount of money involved. AD is concerned that this transaction wasn't approved appropriately as it might be outside of the CEO's delegation of authority
- KM asked AD what exactly is AD's opinion on delegation of authority, does he feel this was outside of the CEO's powers as KM thought the threshold for transactions approved by CEO is R50 million. AD said his understanding is that board approval needs to be obtain for transactions greater than R10 million that weren't budgeted within the AOP and he doesn't think this agency fee / commission / payment has been budgeted for in the AOP, therefore the CEO was acting outside his powers however the Board needs to determine this
- KM suggested that accounting for transaction might be inappropriate, as commission is based on a 5 year deal and surely the cost should be spread over 5 years
- AD responded saying that this is not a debate around the accounting treatment, we haven't investigated accounting treatment yet as we are still trying to understand the commercial substance of the transaction
- TLP asked why AD felt comfortable with first transaction but not second. AD responded saying first transaction (i.e. payment) occurred in April 2014, thus current financial year. The first transaction was also not selected as part of our audit testing and we only came to find out about the engagement with Homix during our creditors' testing in February 2015 (therefore second transaction was included in our audit testing) this transaction remains to be investigated but understand that management said this was a finders fee based on a deal that was brought to them and we were still investigating these. AD also indicated that there was an additional payment that was due of R25million which we are unclear as to which part of the deal it relates to. CV explained the R25m and that the client cfo indicated that it was part of the conclusion of the operating agreement whereas the CEO indicated it was part of the concluding the sale of assets agreement – which agreement had taken place in Dec 2014 and which should therefore be accrued.
- AD reiterated that his concern relates to the fact that no-one can provide him with clear answers as to what the commercial substance of transaction is, and he has therefore requested more information to determine whether there is a possibility that a facilitation fee has taken place
- AD reiterated this is not a debate around the accounting treatment – this is question around the commerciality of the transaction, what did Homix do for Neotel, what skill did they bring to the discussion table which Neotel did not have, who did they meet with at Transnet to further the cause, what was the mandate, what were the limits they could bind the company by. The next point was whether the CEO had the authority to contract with Homix and whether the approvals are in place for the transaction of this nature and value.
- The AC said they will discuss this matter further without the attendance of Deloitte or management.
- Deloitte subsequently left the meeting for the Audit committee to discuss on their own.

Refer to memo on Homix – **11010.1** for the full matter and resolution thereof.

ANNEXURE CV 6



Deloitte.

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28 April 2015

Mr Imraan Vanker
Director: Standards
Independent Regulatory Board for Auditors
Building 2
Greenstone Hill Office Park
Emerald Boulevard
Modderfontein
1609

BY HAND

Telephone: 087 940 8800

Dear Sir

FIRST REPORT: REPORTABLE IRREGULARITY

Name of entity audited: Neotel Proprietary Limited

Registration number of entity: 2004/004619/07

My firm has been jointly engaged by Neotel Proprietary Limited to audit the company's annual financial statements. I am the partner responsible for the above engagement.

I have reason to believe that a reportable irregularity, as defined in the Auditing Profession Act, has taken place in connection with the company entering into an agreement with an agent in pursuit of a customer contract. This has resulted in a success fee of R36 million paid to this agent. The commerciality of this transaction remains unclear. I am not able to make a legal determination in respect of the suspected unlawful act or omission, but have exercised professional judgement, based on the evidence or information which has come to my knowledge, including undertaken further investigations of information as were considered necessary in the circumstances and conduct of our audit.

The contents of our investigation suggest that Section 76(3) of the Companies Act of South Africa of 2008, as well as the common law duty of the directors of the company to act in the best interest of the company, may have been breached. In our opinion, this constitutes an unlawful act or omission committed by any person responsible for the management of an entity, which is likely to cause material financial loss to the entity or to any partner, member, shareholder, creditor or investor of the entity in respect of their dealings with the entity, is fraudulent or amounts to theft, and represents a material breach of any fiduciary duty owed by such person to the entity or any partner, member, shareholder, creditor or investor of the entity under any law applying to the entity or the conduct or management thereof.

Global Executive: *LL Barn Chief Executive *AE Swiegers Chief Operating Officer *GM Finnick Audit
DL Kennedy Risk Advisory *ND Kader Tax TP Pillay Consulting *K Black Clients & Industries
*JK Mazocco Talent & Transformation *MJ Jarvis Finance *M Jordan Strategy S Gwala Managed Services
*TJ Brown Chairman of the Board *MJ Comber Deputy Chairman of the Board

A full list of partners and directors is available on request

* Partner and Registered Auditor

B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code

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Page 2

Independent Regulatory Board for Auditors

For ease of reference, section 76(3) refers

...Subject to subsections (4) and (5), a director of a company, when acting in that capacity, must exercise the powers and perform the functions of director

- a) in good faith and for a proper purpose;*
- b) in the best interests of the company; and*
- c) with the degree of care, skill and diligence that may reasonably be expected of a person—*
 - carrying out the same functions in relation to the company as those carried out by that*
 - director; and*
 - ii) having the general knowledge, skill and experience of that director.*

As required by the Auditing Profession Act, we will be communicating these matters to the members of the Board of Neotel Proprietary Limited. We will report further to the Independent Regulatory Board for Auditors by 28 May 2015.

Please acknowledge receipt of this report.

Yours faithfully



Andre Dennis
Registered Auditor
Deloitte & Touche

IRBA registration number: 334480
Email: adennis@deloitte.co.za
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ANNEXURE CV 7





Neotel

Delegation of Authority

Policy Document

NPOL 00131

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Revision Date: 02/02/2015
Version: 6
Author: Calvin Theko
Owner: Calvin Theko
Department (Owner): Corporate Secretariat
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I STAKEHOLDER LIST

Title	Category of Stakeholder (Refer to Note Below)
Managing Director /CEO	e
COMSEC	a, f, c (on matters in own area)
CSPGV	c (on matters in own area)
CFO	c (on matters in own area)
CSMO	c (on matters in own area)
CNCSO	c (on matters in own area)
CIO	c (on matters in own area)
CBSE	c (on matters in own area)
GM: HR	c (on matters in own area)
GM: Legal and Contracts	c (on matters in own area)
GM: Strategy	c (on matters in own area)
All General Managers... (level 2)	d

NOTE: Categories of level of responsibility:

- a. Policy owner (general management responsibility)
- b. Deputy policy owner (if required)
- c. Must be consulted
- d. Must be notified
- e. Must approve (sign-off)
- f. Document author

II CONTROLLED DISTRIBUTION LIST

Once updated, a copy of the latest revision will be published in the document management system in use. An e-mail to this effect will be sent to the relevant personnel or heads of department.

Copy No.	Owner	Location
1	COMSEC	DMS PORTAL

III DOCUMENT CHANGE

VERSION NO	DATE CHANGED	CHANGED BY	CHANGE DESCRIPTION
5	ORIGINAL	COMSEC	ORIGINAL
6	02/02/2015	COMSEC	APPENDIX B (SIGNATORY LIST) UPDATED
			GENERAL UPDATE

IV RELATED DOCUMENTS

DOCUMENT NO.	DESCRIPTION	LOCATION
n/a	Shareholders Agreement	COMSEC
n/a	Memorandum of Association	COMSEC
n/a	Memorandum Of Incorporation	COMSEC

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	Related Party Policy NPOL	DMS portal

V ABBREVIATIONS, ACRONYMS AND DEFINITIONS

ABBREVIATIONS / ACRONYMS	DESCRIPTION
AOP	Annual Operating Plan
CAPEX	Capital Expenditure
MD/CEO	Chief Executive Officer
CFO	Chief Financial Officer
CSMO	Chief Sales and Marketing Officer
COMSEC	Company Secretary
CSPGV	Chief Special Projects and Growth Ventures
CNCSO	Chief Networks and Customer Service Officer
CIO	Chief Operations Information Officer
CBSE	Chief of Business Solutions and Excellence
CCSO	Chief Corporate Services Officer
GM	General Manager
HR	Human Resources
KPI	Key Performance Indicator
LFCTA	Long Term Financing Common Terms Agreement
OPEX	Operational Expenditure
RLBC	Revised Lenders Base Case

DEFINITIONS	DESCRIPTION
Audit committee	The Audit Committee of the company appointed by the Board
Board	The Board of Directors of the Company appointed in terms of the Shareholders Agreement from time to time
Employee or Official	Any person working for or on behalf of Neotel including part-time employee, full-time employee, contractors, temporary employees and volunteers.
Executive management or EXCO	The executive management committee established to assist the MD/CEO with the day to day execution of strategy and running of the business operations of Neotel (or of the Neotel Group).
Functional unit	Finance, Sales & Marketing, Networks & Customer Services, Information Technology, Corporate Services, Secretariat/ARC, Human Resources, Strategy & PMO, Special Projects & Growth Ventures.
Neotel or the company	Neotel (Pty) Ltd
Permitted indebtedness	Any financial indebtedness permitted in terms of clause 1.168 of the Long Term Finance Common Terms Agreement.
Reserved matters	Those matters that are reserved for the decision/approval of the Board and/or shareholders as set out in the memorandum and articles of association, shareholders' agreement, or as required by law
Shareholders	The direct and indirect shareholders of the Company that appoint the Board

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1. INTRODUCTION

1.1 Background

Neotel is governed by a board of directors ("the Board") which is vested with the power and authority to act for and on behalf of the company. The constitutive documents of the company allow for a delegation of the power and authority to act for and on behalf of the company under certain circumstances.

Thus, at its meeting of 26 July 2011 (the 34th Board Meeting), the Board resolved to delegate the powers and authorities of the company with regard to day-to-day management to the MD/CEO. The MD/CEO was authorised further to delegate his powers and authorities to employees and officers of the company, subject to applicable terms, conditions and limitations.

This Delegation of Authority policy defines the powers and authorities delegated by the MD/CEO to specified Employees and Officers of Neotel.

1.2 Scope

This Delegation of Authority records the nature and extent of the powers and authorities delegated by the Board to the MD/CEO, and designated signatories of the company, who are required to facilitate the day-to-day management of the company.

This Delegation of Authority does not prohibit or restrict an employee from signing general day-to-day correspondence on behalf of the company provided such correspondence does not create or otherwise make an offer to create a legally binding commitment on behalf of Neotel.

The approval of the Board must be obtained for all matters that are beyond the powers and authorities delegated herein.

2. AUTHORITY AND RESPONSIBILITY

All employees of the company are bound by this Delegation of Authority and have a responsibility to implement and comply with it.

All employees should be aware that conduct that violates this Delegation of Authority will be considered outside the scope of their employment. Violating this policy could significantly damage Neotel and expose it to unintended legal and commercial liabilities. In addition, individuals who violate this policy may be subjected to appropriate disciplinary action by Neotel.

All Employees and Officials to whom the power and authorities have been delegated pursuant to this Delegation of Authority should take necessary steps to ensure that their respective staff members know and comply with this policy. All delegated Employees and Officials should periodically consult with their staff members to ensure that appropriate procedures for implementation of the policy have been developed and are being followed.

In addition, Employees and Officials to whom powers have been delegated are responsible for and should ensure that-

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- They understand what is being approved;
- The information and supporting documentation is accurate and complete;
- The transaction is allowable, reasonable and commercially justified;
- The transaction is in the ordinary course of business and within the current Annual Operating Plan; and
- There are adequate funds to cover the expense, and the funding source is appropriate for the expenditure.

The Authorised Signatories listed in Appendix B are the only individual authorised to sign contracts, agreements and any other such documents, in consultation with Legal and Contracts, which bind the Company in respect of third parties.

Notwithstanding the foregoing, any person with the title General Manager and above shall be entitled to sign non-disclosure or confidentiality agreements that have been duly approved by the Legal and Contracts Department.

Before presenting any agreement, lease or contract to an Authorised Signatory for signature, the employee requesting signature should ensure that a Contract Advice form has been duly completed and signed by the designated signatories.

3. POLICY CONTENT

3.1 Overview

The powers and authorities delegated herein are to be exercised subject to the condition that:

- The Authorised Signatories shall be accountable to the MD/CEO in respect of the exercise of the powers and authorities delegated to them herein,
- Such powers may be given to a specific individual or the holder of a specific post or to a committee (Refer 3.3 in respect of further delegation),
- Such powers are subject to any statutory, regulatory or legal limitation as may be applicable to the Company from time to time,
- Such powers are subject to any limitations, conditions, policies and /or directives that may be developed and implemented by the MD/CEO, and
- Such powers may be revoked or varied by the MD/CEO at any time

The decisions, approval of commitments and transactions outlined in this Policy must be made by the parties that have been designated the responsibility for final approval.

Unless otherwise indicated, this Delegation of Authority is confined to be exercised only within the limit and scope of the functional area of responsibility of the employee(s), officer(s) and/or committee(s) to whom such Power is delegated.

Where Power is delegated to more than one person, it is on the basis of different functional responsibility and financial limits.

All matters that require approval of the Board or of a Board Committee must be routed through the Company Secretary.

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This Delegation of Authority supersedes any prior delegation of authority and takes effect immediately upon the date of approval by the MD/CEO.

Any proposal for amendments to this delegation or to the authorities must be submitted in writing to the Company Secretary, for consideration and recommendation to the MD/CEO

3.2. Reserved Matters

3.2.1. The following matters are specifically reserved for decision by the Shareholders in terms of the Shareholders Agreement.

- 3.2.1.1 The undertaking of any material new business activity outside the scope of the Revised Lenders Base Case (RLBC) of the Company and its subsidiaries;
- 3.2.1.2 Materially changing the company Business and its subsidiaries outside of the RLBC;
- 3.2.1.3 The approval of any business plan subsequent to the RLBC;
- 3.2.1.4 Any changes to the funding obligations of the Shareholders;
- 3.2.1.5 The increase, alteration, subdivision, repurchase or reduction of the issued and/or the authorised share capital of the Company including any other securities or financial instruments that could be issued by the company outside of the RLBC;
- 3.2.1.6 Materially changing any of the external funding requirements or provisions for encumbrances as prescribed by the RLBC;
- 3.2.1.7 Changing the dividend policy of the Company;
- 3.2.1.8 Formulating or changing the foreign exchange exposure policy of the Company
- 3.2.1.9 The undertaking of any act by the Company which requires a special resolution of the Company to be passed, pursuant to the Companies Act;
- 3.2.1.10 The taking over or acquisition of the whole or substantial part of the business of any other person/entity or any merger or amalgamation with other companies or with any business which is likely to result in an increase in the funding obligations of the Shareholders;
- 3.2.1.11 Discontinue of any material business activities of the Company;
- 3.2.1.12 The scale or other disposal of all or major part of the Company's assets (including, but not limited to the goodwill of the Company and/or its tangible assets) other than the ordinary course of business;
- 3.2.1.13 Providing guarantees or making of any loan to any third party other than in ordinary course of business of the company in which event unanimous shareholder approval shall be required;
- 3.2.1.14 Any change to the accounting standards applied by the Company;
- 3.2.1.15 The listing of the Company's Shares in terms of the initial public offering;

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- 3.2.1.16 The incorporation or acquisition of a non-wholly owned subsidiary of the company outside the RLBC;
 - 3.2.1.17 The granting of any share options by the Company or the creation or amendment of any employee share scheme with the inclusion of any profit sharing arrangements by the Company;
 - 3.2.1.18 Approval of the Company's South Africanisation Policy; and for this purpose unanimous shareholder approval shall be required;
 - 3.2.1.19 Approval of any change in the Related Party Transaction Policy; and
 - 3.2.1.20 Approval of related party transactions which are material in terms of Clause 13 (of the Shareholders Agreement).
- 3.2.2 The following matters are specifically reserved for decision by the Board:
- 3.2.2.1 Internal governance structures and roles and high level organisational design;
 - 3.2.2.2 Appointment of MD/CEO and CFO;
 - 3.2.2.3 High level funding beyond permitted indebtedness;
 - 3.2.2.4 Approval of Annual Operating Plan;
 - 3.2.2.5 Risk management strategy;
 - 3.2.2.6 Strategic direction for the company, including but not limited to investment plan and corporate strategy;
 - 3.2.2.7 Organisational KPI's and performance targets;
 - 3.2.2.8 Remuneration strategy;
 - 3.2.2.9 Integrated reports and financial statements;
 - 3.2.2.10 Appointment of auditors (Audit Committee);
 - 3.2.2.11 Annual Company Performance Review and Rating;
 - 3.2.2.12 Recommendations regarding matters requiring shareholder approval; and
 - 3.2.2.13 Any other matter that the Board may from time to time reserve for its decision and/or approval.

3.3. Further Delegation

- 3.3.1 A person delegated to exercise the Powers set out in this policy ("original bearer of authority") may in writing, permanently or temporarily sub-delegate such Powers to his/her subordinate ("designate"), provided:
 - 3.3.1.1 The original bearer of authority shall ensure that any further delegation or sub-delegation is to a functionary with the appropriate seniority, skill, expertise and knowledge to exercise such authority in an effective manner, and shall ensure that such authorities are reviewed and monitored on a regular basis (Refer 3.3.4);
 - 3.3.1.2 The authority given ensures proper segregation of duties;

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3.3.1.3 The authority is given in a standardised certificate (a template of which is attached to this document) naming and identifying the designate, signed by the original bearer of authority; The designated authority shall only be exercised within the original bearer of authority's respective area of responsibility; and

3.3.1.4 The delegated authority may be revoked at any time by the original bearer of authority or the MD/CEO.

3.3.2 Unless otherwise specifically indicated, approval of any of the matters listed in this Delegation of Authority may be granted by a designate. The original bearer of authority or designate must ensure that all the necessary procedures and/or approvals have been fulfilled prior to exercising any of the powers and authorities delegated in terms of this Delegation of Authority.

3.3.3 The MD/CEO may temporarily allocate authorities at a level lower than those outlined in this Policy. Such allocations should be notified to the Company Secretariat, in writing, clearly specifying individual (by name and designation), the power and authority being allocated to him and the period for which it will be valid.

3.3.4 Unless otherwise specifically approved by the MD/CEO in writing, the powers and authorities to bind the company in transactions with third parties shall not be delegated to employees below the level of General Manager.

3.4. Expenditure

3.4.1 Capital expenditure may only be authorised if the project or transaction in question has been so approved in terms of the applicable Capex Approval Process and capital funds have been allocated in the AOP of the Company. Operational expenditure shall be incurred in the ordinary course of business in line with the AOP of the Company. Project related operating expenditure may only be incurred if supported by an approved business case.

3.4.2 MD/CEO or CFO shall inform, from time to time, all concerned as and when there are any changes needed to be done in the approved capital expenditure plans for whatever reasons.

3.4.3 MD/CEO, subject to limitations as determined by the Board, may approve expenditure not provided for in the AOP only in the event of unforeseen, unavoidable and urgent/critical requirement which cannot wait for the Board to convene, and provided further, that the MD/CEO and CFO tables at the next meeting of the Board for ratification of such expenditure and the full details thereof.

3.4.4 Financial transactions are subject to the limitation imposed herein and should not, individually or cumulatively, exceed the approved budget, by an amount greater than allowed for in this policy, unless otherwise approved in writing by the next level of authority in accordance with the Policy. It is not permissible to split transaction(s) in order to lower the authority level applicable to each part and for two or more employees to jointly authorise a transaction that is covered by the sum of their authorities.

3.5. Procurement

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All procurement transactions must follow the Company's Strategic Sourcing or Operational Procurement Policies respectively. This excludes the procurement of electronic communications services as defined in the Electronic Communications Act.

3.6. Disposals

All disposals must follow the appropriate Company policy and should be reported at the next meeting of the Board for noting, regardless of value.

3.7. Provision for bad debts

All provisions for bad debt must follow the appropriate Company policy signed off by the Board and should be reported to the Board.

3.8. Finance

Board has to approve all Borrowings, Risk Management and Investment (other than surplus fund investment) requirements.

3.9. Foreign currency exposure

Approval to enter into an agreement/contract or other binding document involving foreign currency exposure (including international agreements) must be authorised by the CFO. The duly authorised official must obtain prior written approval from the CFO, both where the contract will be concluded in foreign currency and especially in such cases where there is linked currency other than South African Rand, as this might expose the Company to an embedded derivative if not managed appropriately. In all cases, foreign exchange cover must be taken in line with the relevant Company policy.

3.10. Contracts / Agreements

- 3.10.1 Any person who has been authorised to execute any legal documents including deeds, leases, assignments, contracts, applications, and financial instruments, external submissions to or on behalf of the company or any other legal documents may only do so with the prior sign off by the Legal and Contracts Department. A stamp of approval must be affixed on all deeds, leases, assignments, contracts and financial instruments approved by Legal and Contracts ("Approved as to Form").
- 3.10.2 Unless otherwise indicated, the authority to execute a contract or other binding document also implies the authority to cancel or modify it, but only with the prior written sign off by the Legal and Contracts Department.
- 3.10.3 The authority to execute a contract or other binding document carries with it the understanding that an authorised payment required thereby will be made once proof of receipt or delivery has been obtained and confirmed as per the GRN process. No person is authorised to obligate the company to an amount greater than such payment or create more onerous obligations than those contained in the contract or other binding document. For the avoidance of doubt, side letters to amend or vary terms and conditions of a transaction may only be issued if approved by the Authorised Signatory and with prior sign off by the Legal and Contracts Department.

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- 3.10.4 The Legal and Contracts Department must ensure that as a minimum, the following lender requirements are incorporated in all contracts/agreements and leases:
- 3.10.4.1 Limitation of Liability clause,
 - 3.10.4.2 Cession clause, and
 - 3.10.4.3 Insolvency clause
- 3.10.5 Any deviations to the above-mentioned lenders' requirements must be approved by the Legal and Contracts Department with the concurrence of the CFO, subject to a written motivation by the Head of the function involved.
- 3.10.6 Deviations to standard terms and conditions of agreement, leases and contract that have a financial impact must be approved by the Legal and Contracts Department with the concurrence of the CFO, subject to a written motivation by the Head of the function involved.
- 3.10.7 Increases to the original scope of the binding document must be supported by an authorised amendment.
- 3.10.8 Unless specified otherwise in this Delegation of Authority, the power and authority to sign an approved contract shall vest with head of the function to which the contract relates, subject to applicable financial limits. (Refer to Appendix B for a list of Authorised Signatories)
- 3.10.9 The General Manager Legal & Contracts must inform the MD/CEO in writing about of any litigation, arbitration or similar proceedings where the claim is in excess of R1 000 000 (One Million Rand) or where the claim is in respect of a licence condition or environmental authorisation or any other claim which is likely to have a material effect on the business and/or financial condition of the Company. All litigation, arbitration and similar proceedings must be reported to the Legal and Contracts Department.

Legend

Legend	
R	Recommend
A	Must agree (veto right)
I	Must give input (prior to decision is made)
D	Decides//Approves

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TABLE OF POWERS AND AUTHORITIES

POWER OF AUTHORITY	BOARD	SUB-COM.	MD/CEO	CFO	C-LEVEL	OTHER.
High level budgets (top line, gross margin, EBITDA)	D		R	R	I (all)	I (Designated employees)
High level funding beyond permitted indebtedness	D		R	R	I (all)	
Strategic capital investments	A (Shareholders)		D	R	I	
Capital or operational expenditure in line with AOP (excluding legal fees)	D (>R40m)		D (≤R40m)	D (≤R20m)	D (CNCSO: ≤R10m) (CIO: ≤R5m) D (CSMO: ≤R2m) D (CCSO: ≤R2m), COMSEC: ≤R2m) CBSE: ≤R2m) CSPGV: ≤R2m)	D (Per Appendix B)
Capital or operational expenditure outside of AOP (which cannot wait for Board to convene)			D (≤R10m)			
Re-appropriation of expenses			D	I R (in relevant area)	R (all; in relevant area)	R (in relevant area, where applicable)
Disposal of movable/ immovable assets, (Refer: Fixed Assets Policy / Process)	D (>R2m)		D (≤R2m)	D (≤R1m)	R (all)	
Appointment of statutory auditors and their yearly audit fees	D					R (Audit Risk and Compliance)
Approval of annual financial statements	D	R (Audit Committee)				
Insurance placement			A	D		I (Audit Risk and Compliance)
Securing of payment of monies owing by Neotel			A	D		I (Legal and Contracts)
Entering into guarantees, suretyships and encumbrances	D (>R40m)		A (≤R40m)	D (≤R40m)		I (Legal and contracts)

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POWER OF AUTHORITY	BOARD	SUB-COM.	MD/CEO	CFO	C-LEVEL	OTHER.
Opening, operating and closing of banking accounts (including current accounts, treasury exchange and accounts, treasury foreign currency banking accounts)			A	D		
Issuing of cheques, promissory notes, bills of exchange, other negotiable or transferable instruments (including those drawn on Neotel's current accounts), machine signing (cheques, promissory notes, bills of exchange, stock certificates, other financial, negotiable or transferable instruments)			A	D	I	
Non-networks outsourcing			D	R (in relevant area) A (financial implications)	R (all; in relevant area)	
Dunning and Debt Collection Policy				D	I (CSMO, CCSO)	I (Legal and Contracts)
Strategic sourcing			D	R		
Procurement policy			A	D	I (all)	
Provision for bad debt policy (Refer: Financial Management Policy and Revenue Recognition Policy)	D			R		I (Legal and Contracts)
Applications to relevant authorities for amendment of sectoral permits, licences, orders and oppose application by others				D	D	I (Regulatory)
Charitable Sponsorship and donations (Refer: Marketing and Branding Policy)			A	D (≤R50k)	R	
International travel beyond SADC (in terms of travel policy)			D	R	R	

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POWER OF AUTHORITY	BOARD	SUB-COM.	MD/CEO	CFO	C-LEVEL	OTHER.
International travel within SADC (in terms of travel policy)			D (in relevant area)	D (in relevant area)	D (all; in relevant area)	
Local travel (in terms of travel policy)			D	D (in relevant area)	D (all; in relevant area)	R(all in relevant areas)
Overall general contractual period per transaction (excluding lease agreements)			D (>3 years)	D (≤3 years)	D (≤2 years) (all)	I (Legal and Contracts)
Legal fees			D	D (in respect of long term financing)	D (COMSEC in respect of Compliance and Governance)	D (≤R500k) (Legal and Contracts)
Settlement with third parties			D (>R1m)	D (≤R1m) (in relevant area)	D (≤R1m) (all; in relevant area)	R (Legal and Contracts)
Pleading guilty/not guilty to any charge Neotel may be required to answer			D (>R1m) A	D (≤R1m) (in relevant area)	D (≤R1m) (all; in relevant area)	R (Legal and Contracts)
Obtaining external legal opinions or giving legal opinions on behalf of Neotel for external purposes			D			D (Legal and Contracts)
How to proceed where external expert opinion on legal matters conflicts with business view			D	R	R	R (Legal and Contracts)
Appointment of attorneys/counsel to act on behalf of Neotel in litigation matters			D			D (Legal and contracts)
Strategy						
Mission, vision and values	I		D	I	I (all)	R (Strategy)
Corporate strategy	I		D	I	I (all)	R (Strategy)
Strategic						
Internal governance structures and roles	D		R		I (COMSEC)	
MD/CEO and CFO appointment	D	I (RemCo)				
High level organisational	A	D (RemCo)	D	I	I (all)	R (HR)

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POWER OF AUTHORITY	BOARD	SUB-COM.	MD/CEO	CFO	C-LEVEL	OTHER.
design						
Business unit organisational design			A	D (in relevant area)	D (all; in relevant area)	I (HR)
Organisational KPIs and performance targets		A (RemCo) Committee)	D	R (in relevant area)	R (all; in relevant area)	
Governance and Compliance						
Annual Board Plan	A	I (Audit Committee/ RemCo)	A		D (COMSEC)	
Delegation of Authority	D (in respect of MD/CEO)		D		R (COMSEC)I (all)	
Compliance Model and Reporting	I	I	A		D (COMSEC)I (all)	
Marketing						
Target market definition			A	I	D (CSMO) I (CNCISO, CIO), (CBSE)	I (Regulatory, Strategy)
Sales and Marketing strategy			A	I	D (CSMO) I (CNCISO, CIO) R(CBSE)	I (Regulatory, Strategy)
Brand Strategy			D		R (CSMO) R(CBSEO)	
Product portfolio strategy			A	I	D (CBSE) R(CSMO) I(CNCISO), (CIO)	R (Business Operations) I (Regulatory, Strategy)
Product pricing (pricing framework)				A	D (CBSE) R(CSMO) I (CNCISO), CIO)	I (Regulatory, Strategy)
Discount / rebate matrix				A	D (CBSE) R(CSMO) D (CSMO) I (CNCISO),	I (Strategy)
Pricing exceptions			D (where decision outside of CSMO approval limit)	A	D (CBSEO) R(CSMO) I (CNCISO)	

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POWER OF AUTHORITY	BOARD	SUB-COM.	MD/CEO	CFO	C-LEVEL	OTHER.
Product Development						
New product conceptualisation and feasibility				I	D (CSMO), (CBSE) I (CNCISO, CIO)	R (Business Operations) I (Regulatory, Strategy)
New product IT systems readiness					D (CIO) A (CBSE)	I (Business Operations)
New product revenue assurance					I (CSMO) I (CBSE)	I Revenue Assurance (RA)
New product service delivery readiness					D (CNCISO), (CBSE)	
New product launch				A	D (CSMO); (CBSE) A (CNCISO, CCSO, CIO)	I (Regulatory) I (RA)
Product lifecycle management (adjustments to existing products)			A	I A (financial implications)	R (CSMO), D(CBSE) I (CNCISO, CIO)	R (Business Operation) I (Regulatory)
Product discontinuation			A	A	D (CSMO), (CBSE) A (CIO, CNCISO)	I (Regulatory) I (RA)
Sales						
Credit Vetting Policy			A	D (provided due process and governance requirements followed)	R (CSMO) D(CBSE)	
Sales strategy (operations and organisation)			A	I	D (CSMO) I (CNCISO, CCSO), (CBSE)	I (Regulatory, HR)
Bespoke solution pricing (within overall framework)				A	D (CSMO) I (CNCISO, CCSO)	I (Regulatory)
Commission strategy for Channel				D	D(CBSE) R(CSMO) I (CCSO)	
Sales incentive strategy			D	I	R (CSMO) I (CCSO) A(CBSE)	A(HR)
Customer Service						

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POWER OF AUTHORITY	BOARD	SUB-COM.	MD/CEO	CFO	C-LEVEL	OTHER.
Refund (Refer: Credit Note Policy)				D	D (CSMO) I (CIO)	I (RA)
Customer care strategy			A	D (CNC SO) I (All)	D (CNS CO) I (CIO, CSMO), (CBSE)	I (Legal and contracts, Regulatory)
Operations						
Network strategy			A	I	D (CNC SO) I (CSMO, CCSO, (CIO), (CBSE)	I (Regulatory, Strategy)
Networks Technology strategy			A	I	D (CNC SO, (CIO), (CBSE); in relevant area) I (CSMO, CCSO)	I (Regulatory, Strategy)
Spectrum strategy	D		R	I	I (CSMO, CNC SO), (CBSE)	R (Regulatory, Strategy)
IT strategy			A	I	D (CIO) I (CNC SO, CSMO, CCSO) (CBSE)	
Procurement logistics, warehousing and stocking policy				D	R (CNC SO) I (CSMO), (CIO), (CBSE)	
Regulatory						
Applications to relevant authorities for amendment of sectoral permits, licences, orders and oppose application by others			D		I (CBSE)	R (Regulatory)
Numbering and spectrum operational requirements			A		D (CCSO)	D (Regulatory)
Annual tariff and compliance filing with regulator(s)			A	I	D (CCSO)	D (Regulatory)
Human Resources						
Remuneration strategy (fixed and variable)		A (HRR Committee)	D	I	I (all)	R (HR)

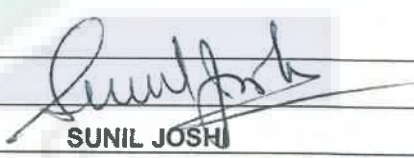
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POWER OF AUTHORITY	BOARD	SUB-COM.	MD/CEO	CFO	C-LEVEL	OTHER.
Performance management strategy			A	I	I (all)	R (HR)
Recruitment strategy			A	I	I (all)	D (HR)
Training and development strategy			A	I	I (all)	D (HR)
Disciplinary action / termination (Refer: Disciplinary and Grievance Policy)			D (Direct Reports)	D (in relevant area)	D (all; in relevant area)	R (HR) I (Legal and contracts)
Mandates to negotiate with Trade Unions in respect of employees' affairs			D			R (HR)
Staff Management Policy				A (in terms of financial implications)		D (HR) I (Legal and contracts)

4. REVIEW PROCESS

This policy will be formally reviewed by the Company Secretary, in line with good practice. Ad hoc reviews of this policy may be made, where company circumstances require it.

5. DOCUMENT AUTHORISATION

Approved By (Sign)	
Name	SUNIL JOSHI
Capacity	MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER
Date Approved	4/02/2015

END OF DOCUMENT

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Handwritten notes:
 Appd
 4 Feb 2015
 E

APPENDIX 1

DELEGATION OF AUTHORITY

[FUNCTION]

In terms of the powers, duties and authorities delegated to me by the Board of Directors of Neotel Proprietary Limited ('the Board'), approved by the Board on 26 July 2011 (as revised) and pursuant to the powers and authorities delegated to me by the MD/CEO, I,

[NAME OF ORIGINAL HOLDER OF AUTHORITY]

in my capacity as [Designation of Original Holder of Authority] do hereby delegate to [Name] in her capacity as [Designation] the power and authority to approve and authorise transactions and payments in respect thereof not exceeding R [amount] (amount in words) excluding VAT, as per the attached delegation certificate.

[Name] shall exercise these powers and authorities in her capacity as [Designation] from the date of acceptance of this delegation until ceasing to hold the position of [Designation], whether on a permanent or temporary basis.

This delegation excludes the power and authority to sub delegate any of the powers, authorities and duties delegated herein, and unless otherwise indicated, is confined to be exercised only within the limit and scope of the functional area of responsibility.

[Name] shall be accountable for the procurement decision and shall further ensure that:

1. All procurement and or, transaction, is aligned to the Annual Operating Plan, Strategy and approved Business Plan of the company as may be revised from time to time.
2. All procurement and or, transactions is supported by both sound technical and commercial motivations and that it is properly approved, and
3. There is a fair and equitable distribution of business to vendors in line with the company's procurement policy.

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Transactions and expenditure authorised in the exercise of the powers and authorities delegated in terms of hereof are subject to the limitation imposed herein and should not, individually or cumulatively, exceed the approved budget unless otherwise approved in writing by the next level of authority.

This delegation of authority may also be supplemented, amended or revoked at any time in writing by the Managing Director and CEO, and shall at time be subject to the Memorandum and Articles of Association, board delegation, company policies and directives, as amended from time to time.

This Delegation of Authority supersedes any prior Delegation of Authority in this regard. In the event that any matter is not sufficiently clear, the necessary clarity should be sought from the Company Secretary.

[MANAGER]
[DESIGNATION]

DATE

ACCEPTED:

[NAME]
[DESIGNATION]

DATE:

Attached hereto:

- 1) Table of powers and authorities
- 2) Delegation of Authority Document

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DELEGATION OF AUTHORITY

I, Ross James, Senior Manager: Business Process Manager
Name Designation

Hereby delegate authority to the individual as depicted below:

Name: Rodney Kandier Employee Number: 0716

Designation: Specialist – Business Process Management

Department: CEO Office

Type of Delegation:

Financial Delegation	<input type="checkbox"/>
Legal Delegation	<input type="checkbox"/>
Marketing Delegation	<input type="checkbox"/>
Product Development Delegation	<input type="checkbox"/>
Sales Delegation	<input type="checkbox"/>
Customer Service Delegation	<input type="checkbox"/>
Operations Delegation	<input type="checkbox"/>
Regulatory Delegation	<input type="checkbox"/>
Human Resource Delegation	<input type="checkbox"/>
Full Delegation	<input checked="" type="checkbox"/>

Other, please specify: _____

Value (R m): _____

Period (contract period – 6 / 12 / 18 / 24 months): _____

Date from: 2011/04/04 to: 2011/06/30

Approvals:

Delegating Officer

Ross James 2011/04/04
Name Signature Date

Accepting Officer:

Rodney Kandier 2011/04/04
Name Signature Date

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APPENDIX B

AUTHORISED SIGNATORIES FOR CONTRACTS**

DOA APPENDIX B

AUTHORISED SIGNATORIES AS AT 2015

TITLE	FINANCIAL LIMIT	APPLICABILITY
MD/CEO	Up to and including R40m or as specifically delegated by the Board	Company wide
CFO	Up to and including R20m or as specifically delegated by the MD/CEO	Company wide Subject to prior written delegation by MD/CEO
CNCISO	Up to and including R10m	Networks and Customer Services
COMSEC	<ul style="list-style-type: none"> Up to and including R2m As specifically delegated by MD/CEO per transaction As specifically delegated by Board per transaction 	<ul style="list-style-type: none"> Company Wide in respect of governance Subject to prior written delegation by MD/CEO Subject to prior delegation by the Board
CIO	Up to and including R5m	Information Technology
CCSO	Up to and including R2m	Corporate Services
CSPGV	Up to and including R2m	Special Projects & Growth Ventures
CSMO	Up to and including R2m	Sales and Marketing
CBSE	Up to and including R2m <i>Approve and submit bids and tenders</i>	Business Solutions
GM: HR	Up to and including R1m	Human Resources
Head of Strategy	Up to and including R250k	Strategy
Head of Marketing	Up to and including R250k	Marketing
GM: Financial Reporting	<ul style="list-style-type: none"> Up to and including R1m in respect of rates contracts Up to and including R5m in respect of Capex Approval, supported by Capex Committee R250 000 for Opex 	Company wide

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GM: Legal and Contracts	• As per table of powers	Companywide in respect of
GM: Strategic Sourcing	Up to and including R1m	Company wide
GM... (level 2)	Up to and including R250 000.00	In specific area

**** After following applicable procurement/sourcing process**



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ANNEXURE CV 8



May 20, 2015

Private & Confidential

Deloitte & Touche
Registered Auditors
Johannesburg

Attention: Mr A J Dennis, Partner

Dear Sirs

Reportable Irregularity in terms of the Auditing Professions Act

- 1 We refer to your letter dated 28 April which enclosed a copy of your letter to the Independent Regulatory Board for Auditors (IRBA) of the same date.
- 2 Your letter to IRBA identifies your reason to believe that a reportable irregularity has taken place in connection with an agreement between the company and an agent in pursuit of a customer contract. The agreement has resulted in a success fee of R36m paid to the agent and the commerciality of the transaction remained unclear to you.
- 3 You record having undertaken further investigations and advise IRBA that the content of your investigation suggested that Section 76(3) of the *Companies Act 2008* as well as the common law duty of directors of the company to act in the best interests of the company, may have been breached. You then recite the wording of the definition of a reportable irregularity in its entirety without indicating which component of the definition you consider to be appropriate.
- 4 You initially indicated by way of your letter dated 6 May that you required a response from the Board by the 12th May. You acknowledged that you were aware that an independent investigation had been commissioned by the Board into the matters raised in your letter. On 14 May the Chairman wrote to you indicating that the Board is conscious of your reporting obligations but that you would have been aware from your own interaction with those conducting the investigation that it was a comprehensive exercise which was still in progress. The Board requested those undertaking the investigation to place it in a position to respond to you by no later than close of business on 20 May.
- 5 We regret that the investigation has not been completed. In particular those conducting the investigation have been unable to confirm the full extent of the interactions between Homix (Pty) Ltd and employees of Transnet in pursuit of their mandate to intervene urgently to achieve the resolution of the acknowledged impasse which had developed between the negotiating teams of Neotel and Transnet by 11 December 2014.
- 6 In an effort to clarify this position the company requested Transnet to make members of its negotiating team available for interview in order to determine the interactions between the intermediary and Transnet. On 19 May Transnet confirmed that it was comfortable and confident of the veracity of its procurement process and that there would have been no breach of such process in the award of the contract to Neotel. This was because the process had been subject to review by both internal and external audit processes. Neotel was invited to present any concrete evidence

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ALTERNATE DIRECTOR: SS Ntsaluba

(*Indian, **Namibian, ***American, ****New Zealander)





against any Transnet executive having committed any wrongdoing in which event Transnet would conduct its own internal investigation, the result of which would determine whether Neotel's request to interview witnesses would be agreed to. Significantly the letter concluded:

"In order to assist you in your current investigation, we can confirm that it is normal practice for Transnet to engage business Consultants or advisors to navigate complex financial, technical and commercial aspects of transactions. In this regard, we can confirm that Transnet had employed the services of such advisors and were aware of Homix similar role on behalf of Neotel.

Please be guided accordingly."

The Board presently has no evidence of wrongdoing by any Transnet executive which could be raised with Transnet in response to their invitation.

- 7 The investigation to date does not confirm your suggestion of a breach by any director of the company of Section 78(3) of the *Companies Act 2008* or of the common law and which could be suggested to have the consequences identified in your letter.
- 8 The company will pursue its investigation to its conclusion. In particular it will canvass with Transnet whether the company's fee arrangement with Homix is regarded by Transnet as materially in conflict with the terms of the agreement between the two entities. We will advise you of the outcome of our ongoing investigation.
- 9 The Board has identified certain internal control issues arising out of this matter and will be taking steps to address these.

Yours faithfully

N Srinath
Non Executive Chairman

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ALTERNATE DIRECTOR: SS Nisaluba

(*Indian, **Namibian, ***American, ****New Zealander)

ANNEXURE CV 9



Deloitte

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Gallo Manor 2052
South Africa

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Registered Auditors
Audit - Johannesburg
Buildings 1 and 2
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22 May 2015

The Directors
Neotel Proprietary Limited
NeoVate Park
44 Old Pretoria Road
Midrand
2191

Attention: The Chairman

Dear Sirs

- 1 Thank you for your letter of 20 May 2015.
- 2 As we have previously indicated to Neotel, the *specific* reportable irregularity which concerns us here (at this stage) is that –
 - 2.1 the Chief Executive Officer ("CEO") of Neotel did not have the requisite authority to conclude the mandate with Homix (which resulted in a payment by Neotel of over R36 million) ("Mandate");
 - 2.2 in terms of Neotel's delegation of authority framework / matrix, such a transaction required Neotel board approval;
 - 2.3 accordingly, by exceeding his authority the CEO breached his fiduciary duty to act within his authority, which breach is unlawful in terms of both the common law and section 76 of the Companies Act. It is also a material breach;
 - 2.4 to date, we have not been provided with a resolution, minute or other satisfactory documentation evidencing that the Neotel board either approved or ratified the terms, conditions and cost of the Mandate. Given the very substantial payment made under the Mandate, it is difficult to believe that the tabling and approval thereof would not have been recorded / minuted in writing; and
 - 2.5 given that we have not to date been provided with satisfactory evidence, the reportable irregularity has not been resolved and is presently continuing.
- 3 In light of the above, if we do not by 28 May 2015 receive satisfactory evidence of the approval of the Mandate, we will be obliged to report the issue as an ongoing reportable irregularity to IRBA under section 45 of the Auditing Profession Act.
- 4 With regard to our concerns and questions around the commerciality of the Mandate:
 - 4.1 In our letter to you of 17 April 2015, we posed a number of questions to Neotel in connection with the context and conclusion of the Mandate.

National Executive: *LL Barn Chief Executive *AE Swiegers Chief Operating Officer *GM Pinnock Audit
DL Kennedy Risk Advisory *NB Kader Tax TP Pillay Consulting *K Black Clients & Industries
*JK Mazzocco Talent & Transformation *MJ Jarvis Finance *M Jordan Strategy S Gwala Managed Services
*TI Brown Chairman of the Board *MJ Comber Deputy Chairman of the Board

A full list of partners and directors is available on request

* Partner and Registered Auditor

B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code

Member of Deloitte Touche Tohmatsu Limited

6

Page 2
Neotel (Pty) Ltd

- 4.2 It is very important that we receive responses thereto as soon as possible, as the responses will assist us in (a) determining whether we should have reason to believe that any other reportable irregularity has occurred and is continuing, and (b) assessing Neotel's position in respect of its material contracts.
- 4.3 More specifically with regard to (b) above, if our questions and concerns around the commerciality and legitimacy of the Mandate are not satisfactorily answered, this materially affects our view with regard to the validity and enforceability of the contract with Transnet as well as Neotel's position under its long-term financing agreements (given that, amongst other things, certain rights of acceleration are triggered in favour of the lenders under those financing agreements if there has been any "sanctionable practice" as contemplated therein).
- 4.4 Thus it must be appreciated that this uncertainty around the Mandate has a pervasive effect on Neotel's material contracts and, as a result, on its financial position.
- 4.5 If such uncertainty is not satisfactorily addressed and removed, our audit of Neotel's most recent annual financial statements would necessarily have to contain a qualification, most likely in the form of a disclaimer.
- 5 We appreciate that, as stated in your letter, the investigation / inquiry into the Transnet side of the transaction, and Transnet's interactions with Homix, is still underway and has yet to provide definitive answers. However, with respect we believe that many of the questions posed in our letter of 17 April 2015 should be readily answerable by Neotel without any need for that inquiry to be completed. For example (but without limitation) –
 - 5.1 The selection criteria and reasons for appointing Homix as a consultancy firm / agent;
 - 5.2 Other service providers which were considered by Neotel in this process;
 - 5.3 The credentials and expertise which Homix possesses and which warranted its engagement by Neotel in connection with the Master Services Agreement with Transnet;
 - 5.4 Did any member of Neotel's management or board at any stage inquire from Homix what exactly would be done, undertaken and / or implemented by Homix in carrying out its mandate in connection with the negotiation and/or conclusion of the Master Services Agreement?
 - 5.5 If so, how did Homix respond to the above inquiry and what did it communicate to Neotel that it would do, undertake or implement in carrying out its mandate in connection with the negotiation and/or conclusion of the Master Services Agreement?
- 6 It is thus clear that our letter of 17 April 2015, and our concerns which lead up to the issuing of that letter, are mainly in relation to Neotel, and Neotel's engagement with Homix, and less so with the Transnet side of it (although that aspect is very important, too).
- 7 Thus we fail to see why Neotel has to date not been forthcoming with answers to the large majority of the questions.
- 8 We trust that the above clarifies the matter and our specific concerns at this stage.

Yours faithfully



AJ Dennis
Partner
Deloitte & Touche



ANNEXURE CV 10



ANNEXURE CV 10

No Annexure attached to statement.

Annexure number was not used



ANNEXURE CV 11





May 26, 2015

Private & Confidential

Deloitte & Touche
Registered Auditors
Johannesburg

Attention: Mr A J Dennis, Partner

Dear Sirs

- 1 Thank you for your letter of 22 May.
- 2 In paragraph 2 of your letter you clarify the *specific* reportable irregularity which concerns you as being that the Chief Executive Officer ("CEO") of Neotel did not have the requisite authority to conclude the mandate with Homix which resulted in a payment by Neotel of over R36m. You state that, in terms of Neotel's delegation of authority framework/matrix, such transaction required Neotel Board approval.
- 3 The Board respectfully disagrees with your conclusion that the CEO did not have the requisite authority to conclude the agreement with Homix. It points out that:
 - 3.1 On 26 July 2011 the Board deliberated upon the question of delegation of authority in response to a proposal put forward to it for the amendment of the existing delegation of authority of Neotel. The decision of the Board is reflected in paragraph 10.2 of the minutes of that meeting as follows:

"After deliberating on the matter, it was proposed that the Board should rather delegate the powers and authorities in respect of the day-to-day management of the company to the Managing Director and Chief Executive Officer, with the power to further delegate based on business requirements. This was supported."
 - 3.2 The Board further resolved that:

"It was agreed that all directors would provide comments to Mr Theko on the proposed document, following which a fresh document would be prepared and approved by the CEO. This document would then be presented to the Audit Committee and the Board for noting."
 - 3.3 In discharge of his authority the CEO has approved the Neotel Delegation of Authority Policy Document ("the Policy Document").
 - 3.4 The introduction to the Policy Document records the above history and states that:

"This Delegation of Authority Policy defines the powers and authorities delegated by the MD/CEO to specified employees and officers of Neotel."
 - 3.5 In the overview of the policy content it is recorded in paragraph 3.1 that the powers and authorities delegated in terms of the document are exercised subject to the condition, inter alia, that:

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DIRECTORS: N Srinath* (Non-Executive Chairman), S Joshi**** (Managing Director & Chief Executive Officer), R Dhawan*, VA Kumar*, K Memani, R Offner**, T Pham ***, SG Ranade*

ALTERNATE DIRECTOR: SS Ntsaluba

(*Indian, **Namibian, ***American, ****New Zealander)



- "Such powers are subject to any limitations, conditions, policies and/or directives that may be developed and implemented by the MD/CEO, and
- Such powers may be revoked or varied by the MD/CEO at any time."

3.6 On 24 October 2014 the Board passed the resolution authorising the company to enter into a Master Services Agreement with Transnet SOC Limited upon the terms set out in paragraph 8.6.5 of the Board minute. The authority concluded with the following statement:

"That Mr Sunil Joshi, in his capacity as Managing Director/CEO, (be) and is hereby authorised with the power of substitution to take all steps necessary to give effect to the above resolutions, including the authority to sign all documents and contracts for and on behalf of the company."

3.7 On 30 November 2014 the CEO provided an update to the Board in respect of the negotiations with Transnet which included details of the improved terms which were under negotiation.

3.8 On 16 December 2014 the CEO reported to the Board on the successful conclusion of the negotiations with Transnet and recorded that:

"We have concluded the negotiations with Transnet and await an update from Transnet on next steps or signature."

In his descriptive report of the negotiation process the CEO reported that:

"Over the past weeks, the negotiations had reached an impasse on some key issues such as the Guarantee and deployment of Gold sites, Change of Control and the Condition Precedent for the Guarantee amongst some other open issues and had reached an impasse. This resulted in an increase in costs due to the Gold sites, increased SLAs as well as the engagement of the Consultant (Homix) to assist us with the negotiations and the closure of the contract. We were also made aware that Transnet may also have been negotiating with a Competitor in order to reduce their risks should the negotiations with Neotel fail or not conclude and understand that a parallel offer was made by them to Transnet as an alternative to Neotel. This was considered as a threat."

3.9 Having regard to the general authority delegated by way of the Board's resolution of 26 July 2011 and the specific authority set out in terms of the Board's resolution of October 2014 the Board accepted and accepts that the CEO was authorised to enter into the consultancy agreement in the circumstances prevailing in December 2014 and accordingly does not agree with your conclusion that the CEO acted in breach of fiduciary breach by acting outside of the standard terms of the delegation of authority which he was authorised to vary in his discretion.

3.10 It is my understanding that the resolutions, documents and email communications referred to above are all in your possession. Should that not be the case please advise me and I will forward the copies to you.

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DIRECTORS: N Srinath* (Non-Executive Chairman), S Joshi**** (Managing Director & Chief Executive Officer), R Dhawan*, VA Kumar*, K Memani, R Offner**, T Pham ***, SG Ranade*

ALTERNATE DIRECTOR: SS Ntsaluba

(*Indian, **Namibian, ***American, ****New Zealander)



- 4 The acceptance of the CEO's authority to enter into the contract does not detract from the Board's investigation of the circumstances surrounding the performance of services by Homix, the conduct of parties connected to the negotiation of such contract and the compliance with the companies' procurement policies. These are ongoing and the Board will take any appropriate action in the event that this is required. Decisions in regard to the matter will be conveyed to you at the earliest opportunity.
- 5 We confirm the discussions on 25 May in which we agreed to provide you with the company's detailed response to the issues set out in paragraphs 4 to 6 of your letter without delay and as soon as our investigation of the matter permits.

Yours faithfully

N Srinath
Non Executive Chairman

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DIRECTORS: N Srinath* (Non-Executive Chairman), S Joshi**** (Managing Director & Chief Executive Officer), R Dhawan*, VA Kumar*, K Memani, R Offner**, T Pham ***, SG Renade*

ALTERNATE DIRECTOR: SS Ntsaluba

(*Indian, **Namibian, ***American, ****New Zealander)

ANNEXURE CV 12



CV12

Deloitte.

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27 May 2015

The Directors
Neotel Proprietary Limited
NeoVate Park
44 Old Pretoria Road
Midrand
2191

Attention: The Chairman

Dear Sirs

- 1 We refer to your letter of 26 May 2015.
- 2 It is appropriate to address the specific paragraphs of your letter which deal with your contentions as to why, in your view, the CEO of Neotel had the requisite authority to conclude the mandate / consultancy agreement with Homix ("**Mandate**").
- 3 Ad paragraph 3.1
 - 3.1 We are not at all convinced that the conclusion of the Mandate was within the "day-to-day management" of Neotel.
 - 3.2 The phrase "day-to-day" implies regular, daily operations of a company's business. Even if the conclusion of a particular agreement may not be *unusual* for a company's business, that by no means implies that it is necessarily part of the "day-to-day management".
 - 3.3 It appears that Neotel itself felt the need to obtain board approval for the Master Services Agreement with Transnet ("**Transnet Agreement**"). If the Transnet Agreement was within the "day-to-day" management of Neotel, we imagine that it would have been signed by the CEO without board approval. It is not then clear why the Mandate would fall within the "day-to-day" management of Neotel, but the Transnet Agreement not.
- 4 Ad paragraph 3.1 to 3.5
 - 4.1 We note the powers of the CEO in respect of the "revocation or variation" of the Neotel Delegation of Authority Policy Document ("**Policy Document**") (contained paragraph 3.1 thereof).
 - 4.2 The copy of the Policy Document provided to us does not empower the CEO to conclude the Mandate, in that –
 - 4.2.1 expenditure outside of the annual operating plan ("AOP") and which cannot wait for board approval can be approved by the CEO only up to R 10 million; and
 - 4.2.2 expenditure "in line" with the AOP which exceeds R40 million, requires board approval. Thus even if it is argued that the Mandate is in line with the AOP (which is so unlikely that it should probably be discarded as a reasonably possibility), that amount was in any event exceeded by the CEO by some R21 million;

National Executive: LL Barn Chief Executive AE Swiegers Chief Operating Officer GM Pinrock Audit
DL Kennedy Risk Advisory NB Kader Tax TP Pilay Consulting K Black Clients & Industries
JK Mazzocco Talent & Transformation CR Beukman Finance M Jordan Strategy S Gwala Special Projects
TJ Brown Chairman of the Board MJ Comber Deputy Chairman of the Board

A full list of partners and directors is available on request

B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code

Member of Deloitte Touche Tohmatsu Limited

Neotel Proprietary Limited
31 March 2015

- 4.3 We have not seen the document or communication whereby the CEO has in fact varied any of the powers in the Policy Document, such that the conclusion of the Mandate would fall within his authority. As the Policy Document is presumably published / circulated within Neotel, there must be a similar publication or circulation which sets out any amendments / variations thereto.
- 4.4 In any event, the existence or otherwise of any such amendment is irrelevant in this context:
- 4.4.1 The Policy Document envisages / refers to two "sets" of delegation:
- 4.4.1.1 A delegation *by the board* to the CEO (first paragraph under 1.2 of the Policy Document). The Policy Document simply "records" the "nature and extent" of the powers delegated to the CEO. Those powers were delegated *in terms of* a prior board resolution; and
- 4.4.1.2 A delegation *by the CEO* to employees and officers within Neotel (third paragraph under 1.1 of the Policy Document). The Policy Document is in fact the operative delegation document in this respect; ie it is the document *whereby and in terms of which* the CEO (sub-)delegates his powers.
- 4.4.2 The power of variation and/or revocation by the CEO is in respect of "the powers and authorities delegated *herein* [ie in terms of the Policy Document itself]" (first sentence under 3.1 of the Policy Document). The CEO can only (sub-)delegate such powers as were delegated *to him* in the first place by the board, namely the power of "day-to-day" management of the company (and we address that aspect above). The CEO cannot usurp for himself greater powers as were delegated to him by the board in the first place.
- 4.4.3 Where a matter has, as recorded in the Policy Document, been reserved for board approval, that means that the CEO has not been delegated those powers in the first place, and the CEO cannot "vary" it so that that power suddenly falls within his own domain, otherwise the Policy Document would be entirely superfluous as the CEO could then simply in his discretion, and at any time, remove the board entirely from any decision-making processes.
- 4.4.4 The above is buttressed by the following provisions in the Policy Document:
- 4.4.4.1 That the approval *of the board* must be obtained for all matters that are beyond the powers and authorities delegated in the Policy Document (third paragraph under 1.2 of the Policy Document); and
- 4.4.4.2 That the CEO may, *subject to such limitations as imposed by the board*, authorise urgent / critical expenditure which is not foreseen in the AOP, but then this must be tabled before the board for ratification after disclosure of the *full details* of that expenditure (3.4.3 of the Policy Document). The Policy Document as it stands clearly imposes a limit of R 10 million in this regard.
- 4.5 Therefore, we are not satisfied that the Policy Document, even if it was (purportedly) varied at any stage by the CEO, gives, or could give, the CEO the power to conclude the Mandate.
- 5 Ad paragraph 3.6
- 5.1 The authority given in terms of the said board resolution (which is of 28 October 2014 and not 24 October 2014 as stated in your letter) to the CEO to "sign all documents and agreements" is obviously given with reference to the transactions and agreements that are referred to in the resolution itself.
- 5.2 It would certainly include agreements, schedules, letters and other documents that are ancillary or incidental to the Transnet Agreement.

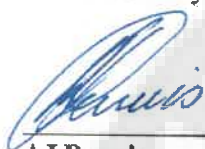
Neotel Proprietary Limited
31 March 2015

- 5.3 However the Mandate is clearly a stand-alone, significant contract in its own right with a third party, involving a very substantial payment obligation to that third party of R 61 million (R36 million of which has been paid and R 25 million of which remains payable as at the date of this letter).
- 5.4 Nowhere in the board resolution is the Mandate referred to.
- 5.5 Further, the board resolution in question deals with its subject matter in rather specific detail, with specific items and amounts in connection with Transnet Agreement being mentioned and approved (eg the conditions that "*Revenue of R900 million or more is reached over 3 years; Capex spend does not exceed R140 million over 3 years, of which R120 million will be spent in year 1; There will be a mobilization fee of R50 million for year 1*"). This level of detail is entirely inconsistent with a notion that the board granted the CEO a wide and general power to conclude "all and any" agreements; on the contrary, it suggests that the resolution would have specifically minuted and approved the Mandate if that was indeed the board's intention.
- 5.6 Therefore, in our view the board resolution quite simply cannot be interpreted as authorising the Mandate, even implicitly or indirectly.
- 6 Ad paragraphs 3.7 and 3.8
- 6.1 It is not stated in these paragraphs that the Mandate, or at least its general terms and conditions (including, importantly, the consideration payable thereunder) was mentioned by the CEO to the board.
- 7 Ad paragraph 3.9
- 7.1 For the reasons more fully set out above, we remain entirely unsatisfied that the CEO had the requisite authority to conclude the Mandate without board approval.
- 7.2 There is reference in this paragraph to the notion that the board "*accepted and accepts*" that the CEO had the requisite authority to conclude the Mandate on behalf of Neotel:
- 7.2.1 If this "acceptance" is based on your interpretation of the board resolutions and the Policy Document referred to earlier in your letter, then for the reasons as set out above we do not agree.
- 7.2.2 If there has been some subsequent "acceptance" by the board through ratification or confirmation, then we would need documentary evidence substantiating the same.
- 8 In light of the above –
- 8.1 in our view your letter of 26 May 2015 does not satisfactorily address our concerns with regard to the specific reportable irregularity which we have reason to believe has occurred and is continuing, namely that the CEO of Neotel exceeded his authority in concluding the Mandate; and
- 8.2 we remain of the firm view that the only manner in which the said reportable irregularity can be said to have ceased is if we are presented with evidence that the Neotel board approved the Mandate.
- 9 We confirm close of business on 28 May 2015 as being the date and time on which we are, in terms of section 45 of the Auditing Professions Act, required to receive satisfactory evidence that the reportable irregularity has been resolved, failing which we are obliged to report to IRBA that the reportable irregularity is continuing. As detailed above, we are not yet convinced that the reportable irregularity has been resolved to our satisfaction, and unless convinced otherwise, we will report to IRBA that the reportable irregularity is continuing.

Neotel Proprietary Limited
31 March 2015

- 10 We further note your undertaking to provide responses to paragraphs 4 to 6 of our letter of 22 May 2015 (which letter reiterates our request for answers to all of our questions set out in our letter of 17 April 2015), and re-emphasise that we require satisfactory answers and explanations with regard to the commercial substance of the Mandate for the purposes as set out therein (namely for us to be better placed in determining whether there is a reason to believe that some other reportable irregularity has occurred and is continuing, as well as assessing Neotel's position in respect of its material contracts).
- 11 We trust the above clarifies our views in this regard.

Yours faithfully



AJ Dennis
Partner
Deloitte & Touche
Registered Auditors



ANNEXURE CV 13



Deloitte.

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South Africa

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28 May 2015

Mr Imraan Vanker
Director: Standards
Independent Regulatory Board for Auditors
Building 2
Greenstone Hill Office Park
Emerald Boulevard
Modderfontein
1609

STRICTLY PRIVATE & CONFIDENTIAL

BY HAND

Telephone: 087 940 8800

Dear Sir

SECOND REPORT: REPORTABLE IRREGULARITY

Name of entity audited: Neotel Proprietary Limited

Registration number of entity: 2004/004619/07

Further to my report dated 28 April 2015, I enclose the following documents:

- A copy of the written notice which was sent together with the abovementioned report to the board of directors of Neotel (Pty) Ltd within three days of my having sent the first report to you;
- A copy of the written responses received from the board of directors; and
- A copy of my subsequent replies to the responses from the board of directors.

I have discussed the report with the members of management and the board of directors of Neotel and have afforded them an opportunity to make representations in respect of the report. I have also undertaken such further investigations as I considered necessary.

The Board has initiated an independent professional investigation of the matter of the commercial substance of the transaction by engaging Werksmans Attorneys on 30 April 2015. We requested the Board to provide us with a response by 6 May 2015 and to provide us with sufficient time to respond to the outcome of the findings, before reporting back to IRBA by 28 May 2015. The Board requested an extension to respond to us by 12 May 2015 and subsequently informed us that they will report to us on 20 May 2015. This report indicated that the investigation is ongoing.

National Executive: *LL Barn Chief Executive *AE Swiegers Chief Operating Officer *GM Pinnock Audit
DL Kennedy Risk Advisory *NB Kader Tax TP Pillay Consulting *K Black Clients & Industries
*JK Mazzocco Talent & Transformation *MJ Jarvis Finance *M Jordan Strategy S Gwala Managed Services
*TJ Brown Chairman of the Board *MJ Comber Deputy Chairman of the Board

A full list of partners and directors is available on request

* Partner and Registered Auditor

B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code

Member of Deloitte Touche Tohmatsu Limited

2

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Independent Regulatory Board for Auditors

As reported in my first report dated 28 April 2015, I have reason to believe that a reportable irregularity, as defined in the Auditing Profession Act 26 of 2005, has taken place in connection with the company entering into agreements with an agent / consultant in pursuit of a customer contract. This has resulted in a success fee of R36 million paid to this agent and a further fee of R25 million being accrued. As referred to above, the commerciality of this transaction remains unclear to us. The specific reportable irregularity which we have reason to believe has occurred at this stage, and which is continuing, is that the conclusion of this agreement with the agent was not duly authorised in terms of the delegation of authority and was not subsequently ratified by the Board.

I am not able to make a legal determination in respect of the suspected unlawful act or omission, but have exercised professional judgement, based on the evidence or information which has come to my knowledge, including the undertaking of further investigations of information and seeking legal advice, as were considered necessary in the circumstances and conduct of our audit.

The contents of our investigation suggest that Section 76(3) of the Companies Act 71 of 2008, as well as the common law duty of a director of a company to act within the scope of his authority (which is a component of a director's duty to act with a proper purpose and in the best interests of the company), may have been breached. In our opinion, this constitutes an unlawful act or omission committed by any person responsible for the management of an entity which represents a material breach of any fiduciary duty owed by such person to the entity or any partner, member, shareholder, creditor or investor of the entity under any law applying to the entity or the conduct or management thereof. It is also likely to cause material financial loss to the entity or to any partner, member, shareholder, creditor or investor of the entity in respect of their dealings with the entity.

For ease of reference, section 76(3) refers:

...Subject to subsections (4) and (5), a director of a company, when acting in that capacity, must exercise the powers and perform the functions of director

- a) *in good faith and for a proper purpose;*
- b) *in the best interests of the company; and*
with the degree of care, skill and diligence that may reasonably be expected of a
- c) *person—*
 - i) *carrying out the same functions in relation to the company as those carried out by*
that director; and
 - ii) *having the general knowledge, skill and experience of that director.*

As mentioned above, the Neotel Board's investigation in response to our first letter dated 28 April 2015 is not complete. Accordingly as at the date of this report, based on our assessment of the information presented to us, I report that in my opinion, the reportable irregularity is continuing.

Contact details of the entity:

- *Robert Offner (Chairman of the Audit Committee)*
- *00 264 612 012532*
- *offner@telecom.na*

Please acknowledge receipt of this report.

Yours faithfully



Andre Dennis
Registered Auditor
Deloitte & Touche

IRBA registration number: 334480

Email: adennis@deloitte.co.za

Telephone (office): 011 806 5184

Telephone (cell): 082 566 3707

ANNEXURE CV 14





June 5, 2015

Privileged & Confidential

Deloitte & Touche
Registered Auditors
Johannesburg

Attention: Mr A J Dennis, Partner

Dear Sirs

Privileged and confidential response to matters raised by Deloitte in their letters dated 17 April 2015 and 22 May 2015

Introduction

This document includes information provided by attorneys as part of an instruction to conduct a privileged and confidential investigation and to provide advice. In providing this information Neotel (Pty) Ltd (**Neotel**) does not abandon any privilege relating to such information and relies upon Deloitte to hold all such information confidential in accordance with the professional standards and codes of conduct to which it is subject.

By way of general background to the detailed responses set out in this document, Neotel records that information has become available as a consequence of the forensic analysis of data over the last two weeks. This provides prima facie evidence that Mr Francois van der Merwe (**Francois**), General Manager Strategic Customers, has engaged in a clandestine relationship with Homix (Pty) Ltd (**Homix**) and persons related to that entity for a period from at least February 2014 through to the time of the conclusion of the negotiations between Neotel and Transnet SOC Ltd (**Transnet**) and probably through to the present time.

Francois has consistently maintained (and continues to maintain in his discussions with the investigators) that his interactions with Homix or any representatives of that entity were limited to two periods. The first of these was in respect of the transaction for the sale of equipment by Neotel to Transnet in February/March 2014. He maintained that thereafter he had no further contact with Homix until he was requested by Sunil Joshi (**Joshi**) to "reach out" to Homix on the afternoon of Thursday 11 December 2014. The purpose was to seek the assistance of Homix in resolving the "impasse" which had arisen between Neotel and Transnet in regard to the conclusion of the Master Services Agreement (**MSA**) between Neotel and Transnet because of the breakdown in the negotiation process.

The analysis of data, however, reveals ongoing contact between Francois and Homix representatives during the course of 2014. More particularly on the morning of 11 December 2014 Francois provided Homix with confidential internal emails of Neotel. These were briefing documents prepared by Neotel management for Joshi who had curtailed his trip to India and returned to South Africa early that morning. Joshi was to hold a meeting with a Transnet executive that afternoon in an attempt to achieve a breakthrough in the impasse with a view to the resumption of the negotiation process. The urgency stemmed from the looming cut-off date (18 December 2014) before which agreement on the MSA was required to be achieved.

Neotel has been advised that the investigation commissioned by it has not revealed any dishonest conduct by management or employees of the company other than Francois. The investigation has also not revealed

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ALTERNATE DIRECTOR: SS Ntsaluba

(*Indian, **Namibian, ***American, ****New Zealander)



any evidence of any payments made to Transnet employees or Neotel employees by or on behalf of Homix. Transnet has declined to make its employees available for interview in the absence of any concrete evidence implicating any employee. No such evidence has been revealed by the investigation. Transnet has, however, confirmed that it had employed advisers and was aware of the similar role of Homix on behalf of Neotel. Copies of an interchange of letters between Transnet and Neotel are annexed on a confidential basis.

The full import of this clandestine relationship and the dealings between Francois and Homix (not disclosed by Homix in their limited dealings with the investigators) remains unclear. It was hoped that some clarity may emerge from impending disciplinary proceedings to be initiated by Neotel. That will not be possible as Francois resigned with immediate effect on 4 June 2015. Neotel will seek advice in regard to the exercise of civil remedies against Homix and the nature of and basis for any reporting obligations it may have under applicable legislation arising out of this matter. Neotel will also complete a review of its systems of internal control in light of the information and recommendations flowing from the investigation which has been undertaken and will take such remedial proceedings or action as advised or considered appropriate.

Questions raised by Deloitte

- 1 The selection criteria and reasons for appointing Homix as a consultancy firm/agent.

Response

- 1.1 It is important to set the appointment of Homix in context. Neotel had been an unsuccessful bidder for the appointment as service provider under the MSA. When the preferred bidder withdrew in mid-2014 Neotel became the preferred bidder in terms of a letter of award signed in August 2014. The award was subject to the condition that the MSA was signed within 120 days. That required the matter to be finalised by a date variously referred to as 18 or 19 December 2014.
- 1.2 Detailed negotiations in regard to the complex terms of the MSA took place between teams appointed by the parties between August and the end of November. There appeared to be a reasonable prospect of the successful conclusion of the negotiations until the end of November/early December when negotiations became more difficult. Major points of disagreement are summarised by management as: financial guarantees (bank versus parent company guarantee); Change of Control, Benchmarking; service level requirements; use of Transnet facilities amongst others.
- 1.3 On 5 December Harris Nupen, attorneys who were part of the Transnet negotiation team, advised that Transnet were not prepared to negotiate any further and that either Neotel signed the agreement in its present format or the negotiations would be at an end. Whilst negotiating fatigue was acknowledged to be present, the reasons for Transnet's intransigence were not apparent to the Neotel team or management. The fact that Gerrie van der Westhuizen, the leading technical member of the Transnet negotiating team had resigned but remained on after he was due to have left Transnet's employ on 30 November was an added concern. Tensions were further escalated by the unintended consequences of the rendition by Neotel to Transnet of an invoice for services which produced an irate response from Transnet on 8 December. At this junction Mr Joshi who was away overseas and due to return on 12 December arranged to cut short his trip to return in the early morning of 11 December. Francois had travelled to Durban on 8 December to meet Anoj Singh (Singh) in Durban to deal with the fallout in regard to the December invoicing and to endeavour to get the negotiations to recommence. Thereafter a meeting was set up for Singh to meet with Joshi on Thursday 11 December in the early afternoon.

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- 1.4 Joshi met with Singh on 11 December. The meeting left him concerned. In a contemporaneous report to his management team he stated that Singh:

"seemed distracted and had also changed his tune from the phone conversation I had with him on Saturday and I am not sure why. I mentioned to him that if we cannot reach resolution then the LOI will expire and then what? He said we will see over the next day or two and then figure out what needs to be done.

It was a strange meeting but without an outcome. A meeting agreeing to meet again in short. Not sure what to make of it."

- 1.5 At the same time Joshi received a report from Abid Qadiri (**Abid**), who had led the negotiating team, to the effect that Transnet was engaged in a parallel discussion with Dimension Data which had been the third and unsuccessful bidder in the original MSA bid process.

- 1.6 When Joshi returned to the office after meeting with Singh he discussed the position with Steven Whiley (**Whiley**), the CFO. He had formed the view that Neotel required assistance in getting the negotiations back on track and recollected that Homix had successfully introduced Neotel to Transnet in regard to the transaction for provision of CISCO equipment at the beginning of 2014. He could not remember the name of the intermediary and Whiley reminded him that it was Homix. He then called a meeting with Abid and Francois. According to his contemporaneous note to his management team he reported that:

"I have been rattling my brains on how to overcome this stalemate. We may think the issues are trivial but Transnet may think they are big. We can make out how sensitive they are with Gerrie's last email on the Dec invoice. As we discussed it could be deal fatigue or just inertia or both. Reality is we need some help to now broker an outcome.

So I have separately spoken to Francois and Abid just now. have asked them to explore the route of the consultant we used who brokered the CISCO deal @ Transnet and see if he is willing to help and at what costs. We don't have a lot of time so time is of the essence."

- 1.7 These are the cumulative circumstances which represent the reasons for the appointment of Homix as consultant and the basis upon which, in the emergency circumstances which prevailed, Joshi, after discussion with his management team, turned to Homix as the party which had introduced the previous successful Transnet transaction to Neotel and as a party apparently familiar with the business of Transnet.

- 2 **Other service providers** which were considered by Neotel in this process.

Response

- 2.1 Management have indicated that with the severe time constraint due to the imminent expiry of the letter of intent, and with no other service provider used by Neotel at Transnet in the past, the team were not aware of any other service provider that could be contacted. Due to the previous and successful transaction introduced by Homix, Mr Joshi decided to reach out to Homix to establish if

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they were willing and able to assist. No other service providers were considered given the prevailing circumstances and time constraints.

- 3 The **credentials and expertise** which Homix possesses and which warranted its engagement by Neotel in connection with the Master Services Agreement with Transnet.

Response

- 3.1 Management were aware of the successful engagement with Homix during the CISCO transaction. The fact that this opportunity was brought to Neotel and the obvious inference that Homix had a business relationship with Transnet which rendered such a transaction possible led to the conclusion that, in the absence of alternatives and with the time constraints, Homix should be invited to indicate whether they were able to undertake the assignment.

- 4 Did any member of Neotel's Management or Board enquire from Homix **what exactly would be done, undertaken and/or implemented by Homix** in carrying out its mandate in connection with the negotiation and/or conclusion of the Master Services Agreement?

Response

- 4.1 Francois was the only party who communicated directly with Homix at the time of their appointment. Management has characterised their understanding of the assignment for Homix as requiring them to:

- (1) Engage relevant executives at the CPO Offices and the CFO Offices at Transnet;
- (2) Present the value proposition of the Neotel RFP;
- (3) Assist with the resolution of the unresolved issues with Transnet causing the impasse;
- (4) Resulting in the conclusion of the MSA and asset sale operational agreements respectively.

The services described in the consultancy agreement signed by Neotel and Homix describe the activities as:

"Homix to analyse the requirements of both Neotel and Transnet SOC to find a workable solution to the impasse in negotiations between Neotel and Transnet SOC in regard to their Master Services Agreement and the related Asset Sale."

- 5 If so, how did Homix respond to the above enquiry and what did it communicate to Neotel that it would do, undertake or implement in carrying out its mandate in connection with the negotiation and/or conclusion of the Master Services Agreement?

Response

- 5.1 The written response from Homix dated 12 December 2014 is **annexed**. Direct discussion with Homix in December 2014 was only by Francois. Homix representatives interviewed by the investigators described a list of subjects covered in discussions between Homix and Transnet representatives. They were, however, unwilling to identify the parties at Transnet with whom

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discussions took place or to provide the investigators with a copy of the presentation which they stated had been made as part of their intervention, save that Ashok Narayan Puthenveedu (**Ashok**) also referred to on occasion inferred that one of the Transnet parties may have been Singh.

- 6 The **terms and conditions** relating to Homix's involvement in the price negotiations.

Response

- 6.1 The payment for Homix's consulting services was set at 2% of the value of the TCV (R1.8b) and R25m for the asset sale and conclusion of the operational agreement.
- 6.2 There were to be two separate agreements and fees were to be paid 30 days after the conclusion of the respective agreements, subject to the signing of the Neotel Agency Agreement and necessary processes to be followed by the business.

- 7 The **mandate and terms of reference** that Neotel provided to Homix to negotiate to.

Response

- 7.1 See the responses to paragraphs 4 and 5 above.

- 8 Clear explanation of **what Homix brought to the table** in the context of the negotiation and conclusion of the Master Services Agreement which Neotel did not hold or have access to internally.

Response

What management understood through van der Merwe was that Homix was doing business in Transnet, and understood the procurement processes as well as having visibility in regard to opportunities in Transnet as demonstrated by the previous CISCO contract. Management at Neotel understood that Homix had the capacity to provide the resources identified in paragraphs 4 and 5 above. Neotel had exhausted its contacts with Transnet in its attempts to resolve the impasse as described above and relied on the intervention of Homix to achieve that objective.

- 9 Which individual at Homix did Neotel deal or engage with, and what was the individual expected to do for Neotel?

Response

As indicated above, no member of the Neotel management team other than Francois was in contact with Homix. Francois advised the investigators that his primary contact was through Mandia. Upon enquiry the investigators were able to interview Ashok who indicated that he was the prime party within Homix which had dealt with Transnet. Ashok refused to identify the individuals within Transnet with whom he had negotiated but implied that Singh was one of those parties.

- 10 Did Neotel require Homix to engage with any particular individuals at Transnet and if so who were these individuals?

Response

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No.

- 11 Was Transnet made aware that Neotel was going to engage, or had engaged, Homix, or any other agent, in connection with the negotiation and conclusion of the Master Services Agreement?

Response

No.

- 12 Please provide information and documentation showing compliance with the levels of authority as per Board approval's framework and/or showing that there was authority from the Board of Neotel to transact with Homix, eg a Board resolution or minute.

Response

See the Board's response to Deloitte by way of its letter dated 26 May 2015.

- 13 The process and result of Neotel's own assessment of the Homix relationship as this was indicated by the CEO on Saturday 11 April 2015, as a process followed by his team during March to ensure that payments to Homix are not irregular by nature.

Response

Concerns were raised by Tracy Cohen and Steve Whiley to Sunil Joshi about Homix and whether there was knowledge of untoward engagements or facilitation fees paid to anyone in Transnet. On 20 March Joshi got the team together to discuss the concerns and asked if anyone knew of any such conduct. Each member was asked and each replied in the negative. Members were also asked if anyone was aware of money changing hands involving employees and the response was also negative. After the meeting Theko was asked to do checks on Homix to assess if any red flags were raised but none were reported by him.

Yours faithfully

N Srinath
Non Executive Chairman

Encl: Annex 1 to 3

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APPLYING THOUGHT

12 December 2014

Mr Sunil Joshi
MD & CEO
Neotel (Pty) Ltd
44 Old Pretoria Main Road
Midrand, Gauteng
South Africa
Ph: +27-11-5850013

Dear Sir

This letter serves to confirm today's engagement with Neotel pertaining to their Master Services Agreement and the related Asset Sale negotiation with Transnet SOC. The talks have reached an impasse and Neotel wishes to engage the services of Homix to analyse both entities requirements to find a workable solution.

The work is to be carried out on a Pure Risk basis and Homix shall not bill for any time and material nor any out of pocket expense.

If successful, Neotel shall pay Homix:

1. For the Asset Sale a Full and Final once of fee of R25 000 000.00 (Twenty Five Million Rand), payable 30 days after signature.
2. For the Master Services Agreement A Fee of 2% of the value of the contract (Currently at R1.8 Billion)
3. These Fees are excluding VAT

These Fees are Success Fee Commissions payable because of the assistance and expertise provided by Homix enabling Neotel to close these two deals that are currently agreed to be lost business as confirmed by both Neotel and Transnet.

Please concur the above together with the success-fee structure, where the latter shall become binding on Neotel.

Yours Sincerely

Mr Khan

INTELLECTUAL PROPERTY & HUMAN RESOURCE CONSULTANTS

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A

Siyabonga Gama, Acting Group Chief Executive

TRANSNET



Our Ref No: SG/16944

Mr N Srinath

Non-Executive Chairman

Neotel

Date: 19 May 2015

Dear Mr Srinath

NEOTEL PTY LTD – MASTER SERVICES AGREEMENT WITH TRANSNET SOC LTD

Your letter dated 16 May 2015 and delivered to my office on 18 May 2015 refers.

I have read your letter with great concern regarding its contents and alleged implications to both Transnet and Neotel. As you know, Transnet is a publicly owned entity that is governed by the Public Finance Management Act (PFMA) among others. As a result, Transnet must ensure that its procurement practices are fair, equitable, transparent and cost effective. Therefore any allegation that purports transgression of the PFMA has to be taken very seriously.

Depending on the outcome of your investigation, the possible consequence could include the termination of the contract under caption and the blacklisting of the Companies involved. Transnet is comfortable and confident of the veracity of its procurement process and that none would have been breached in the award of the contract to Neotel. This is because the process of award of such high value contracts is subject to review by both our internal and external audit process.

Should you have any concrete evidence against any Transnet executive having committed any wrongdoing, I invite you to immediately make the evidence of such available to me so that we can conduct an internal investigation, the result of which will determine whether we agree to your request to interview Transnet executives.

In order to assist you in your current investigation, we can confirm that it is normal practice for Transnet to engage business Consultants or advisors to navigate complex financial, technical and commercial aspects of transactions. In this regard, we can confirm that Transnet had employed the services of such advisors and were aware of Homix similar role on behalf of Neotel.

Please be guided accordingly.

Kind regards

Siyabonga Gama
Siyabonga Gama
Acting Group Chief Executive

Transnet SOC Ltd
Registration Number
1990/000900/30

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MR Seake SD Shane BG Stagman PG Williams A Singh* (Group Chief Financial Officer)

Executive
Group Company Secretary: ANC Ceba

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6



Inspiring Possibilities

May 16, 2015

Private and Confidential

Mr Siyabonga Gama,
Acting Group Chief Executive,
Transnet SOC Ltd

Dear Mr Gama,

Neotel (Pty) Ltd ("Neotel") – Master Services Agreement with Transnet SOC Ltd ("Transnet")

- 1 I write, as Non-executive Chairman of Neotel, to seek your assistance in regard to an issue which has been raised by Deloitte & Touche as auditors of Neotel. This relates to the Master Services Agreement ("MSA") signed between Neotel and Transnet in December 2014.
- 2 The auditors have sought clarity in regard to the role of Homix (Pty) Ltd ("Homix") which acted as business consultant to Neotel during the closing stages of the negotiations leading up to the signature of the MSA.
- 3 In order to respond to the auditor's queries the Board of Neotel has commissioned Werksmans Attorneys to conduct an investigation of the matter and this is now in progress.
- 4 As part of their investigation Werksmans have recommended that it would be appropriate for them to be given the opportunity to interview Mr Anosh Singh and Mr Gerrie van der Westhuizen, both employed at the time by Transnet. This would be in regard to their participation in the closing stages of the negotiation of the MSA agreement and their knowledge, if any, of the role played by Homix in such period leading up to the conclusion of the MSA agreement.
- 5 The board believes it to be in the interest of both of our companies that this matter should be clarified urgently. Neotel wish to respond to the auditors in the coming week.
- 6 We would, of course, request Werksmans to provide copies to Messrs Singh and van der Westhuizen of any record or notes taken during their clarifying consultation.

I look forward to your urgent confirmation that Transnet will respond favourably to this request for assistance.

Thanking you

Yours sincerely

N Srinath

www.neotel.co.za

Neotel (Pty) Ltd

Reg No. 2004/004619/07

44 Old Pretoria Main Road, Halfway House, Midrand, 1685, Gauteng, South Africa
Telephone number +27 (0)11 585 0000 | Facsimile number +27 (0)11 585 0001

DIRECTORS: N Srinath* (Non-Executive Chairman), S Joshi**** (Managing Director & Chief Executive Officer), R Dhawan*, V A Kumar*, K Memani,
R Offner**, T Pham***, SG Ranade*

ALTERNATE DIRECTOR: SS Nisaluba

(*Indian, **Namibian, ***American, ****New Zealander)

ANNEXURE CV 15



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9 June 2015

The Directors
Neotel Proprietary Limited
NeoVate Park
44 Old Pretoria Road
Midrand
2191

Attention: The Chairman

Dear Mr Srinath

Thank you for your response of 5 June 2015 to our questions on the Homix transactions.

It is clear from the response to our questions that there is not sufficient evidence to support the commerciality of the transactions. On the contrary, the response invites more questions than those answered and leaves us no further from our understanding reached on 17 April 2015. Furthermore, the clear reluctance of Homix to disclose information around the presentations made and or who the relevant individuals at Transnet are whom they met with, leaves us with more questions around whether there in fact is any commercial substance behind these transactions. The response further does not clarify why prescribed officers at Neotel did not question who Homix is, what Homix would do or did to convince Transnet to conclude the deals with Neotel and what the payments would be used for. We must question why these enquiries were not made at the time, despite the implications or risks to the company that might arise from such payments.

It seems to us that persons in authority at Neotel now ought reasonably to at least suspect that the payment may have been a facilitation payment and ought to consider their obligation to report such suspicion to the authorities under the Prevention and Combating of Corrupt Activities Act, sec 34. Failure to do so may not only be an offence under that Act, but would in itself constitute a Reportable Irregularity in terms of the Auditing Profession Act. Given the lack of specific and detailed information, you have not convinced us that there should not at least be a suspicion in this regard.

Your Messrs Pham and Offner have offered for us to meet with Werksmans as a next step, however, we are of the opinion that Neotel and the Board have to address the matter as described above. We will then consider the evidence and appropriateness of the Board's actions in our consideration of the matter and perform procedures as considered necessary in the conclusion of the matter and our audit.

As pointed out to you previously, the potential impact of the payments to Homix is pervasive to the company's business. Based on your response and lack of information, we are in no better position than we were before in relation to the commercial substance of the transactions. For this reason, we cannot issue an audit opinion that is any different to the one included in the audit committee documentation submitted to you on 25 May 2015.

Yours faithfully

AJ Dennis
Partner
Deloitte & Touche
Registered Auditors

National Executive: JJ Barn Chief Executive AE Swiegers Chief Operating Officer GM Pinnock Audit
DL Kennedy Risk Advisory NB Kader Tax TP Pillay Consulting K Black Clients & Industries
JK Mazzocco Talent & Transformation CR Beukman Finance M Jordan Strategy S Gwala Special Projects
TJ Brown Chairman of the Board MJ Coniber Deputy Chairman of the Board

A full list of partners and directors is available on request

B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code

Member of Deloitte Touche Tohmatsu Limited



ANNEXURE CV 16



Summary of Report in terms of Section 34(1)(b) of the *Prevention and Combatting of Corrupt Activities Act 12 of 2004 (PRECCA)*

- 1 On 28 June 2015, Neotel made a report pursuant to Section 34(1)(b) of PRECCA because it found reason to suspect that a former General Manager Strategic Customers (**Sales Lead**), committed fraud against Neotel potentially involving an amount in excess of the statutory minimum.
- 2 The suspicion arises out of the unlawful and intentional misrepresentation by the Sales Lead of the true nature of his dealings and relationship with representatives of Homix (Pty) Ltd (**Homix**) in regard to services rendered or alleged to have been rendered by Homix to Neotel in respect of two contracts entered into between Neotel and Transnet SOC Ltd (**Transnet**).
- 3 The two contracts are the Master Services Agreement between Transnet and Neotel signed between the parties in December 2014 (**the MSA Agreement**) and a supply agreement between the same two entities entered into in March 2014 in regard to the supply of equipment manufactured by CISCO in the form of replacement switches and EOL Routers (**the CISCO Agreement**).
- 4 The MSA Agreement encompassed both the provision of network services by Neotel to Transnet over a five year period to the value of R1.8bn and the sale of certain assets by Neotel to Transnet to the value of R200m (**the Asset Sale**).
- 5 In each instance the contract between Neotel and Homix provided for the payment of a fee payable to Homix within a fixed period after the conclusion of the contract between Neotel and Transnet as follows:
 - (1) CISCO Agreement – 10% of contract value being R30,292,561.30 plus VAT.
 - (2) MSA Agreement – 2% of contract value being R36m plus VAT.
 - (3) Asset Sale and Operational Agreement – a fee of R25m plus VAT.
- 6 The Sales Lead was the person within Neotel primarily responsible for the maintenance and development of its business relationship with Transnet which is a major customer of the company. In fulfilling this function he owed a duty to Neotel to act in the best interests of the company and to provide full and proper disclosure to the management of the company of all facts material to its relationship with Transnet.
- 7 The Sales Lead was also the primary contact between Neotel and Homix in relation to the latter company's dealings with Neotel and was the only member of Neotel staff to meet with and communicate with Homix in the negotiations leading up to the conclusion of the agreements between Neotel and Homix for the rendition of services in regard to the MSA Agreement and the CISCO Agreement.
- 8 Arising out of queries raised during the course of the Neotel external annual audit, the company instructed its attorneys to conduct an investigation of the facts and circumstances relating to the MSA Agreement in order to enable it to respond to the queries which had been raised.
- 9 The investigations conducted included interviews with members of staff of Neotel and two discussions with a representative of Homix. An analysis of information on Neotel's issued computers and issued mobile phone devices of various staff members was also undertaken with the consent of the staff members having been obtained.
- 10 The initial focus of the investigation related to the concluding stages of the negotiation of the MSA Agreement between Neotel and Transnet. Such negotiations followed the issue by Transnet to Neotel in August 2014 of a Letter Of Intent (**LOI**) for the appointment of Neotel to provide the services and equipment which were to become the subject matter of the MSA Agreement. It was a term of the LOI that the final agreement ought to be signed within 120 days. The MSA is a complex agreement and teams representing each party were engaged almost continuously in negotiations with one another in regard to the terms of the MSA Agreement over the period August to the end of November 2014. Towards the end of November and into the first week of December the negotiations became increasingly complex leading to the position in which, on 5 December, Neotel was advised by Transnet

representatives that they would engage in no further negotiations and that Neotel ought to accept the terms of the draft agreement as they stood failing which negotiations would cease.

- 11 Extensive efforts were made to revive the negotiations in the period between 5 December and 11 December without success. Late on the afternoon of 11 December and after discussion with senior members of the Neotel management team, the Sales Lead was tasked to establish contact with Homix with a view to engaging them as consultants to assist in resolving the impasse which had developed between the negotiating parties and to bring Transnet back to the negotiating table.
- 12 The Sales Lead maintained that the only prior dealings he had with Homix related to the CISCO Agreement during the period February to April 2014 and represented that his call to the contact person at Homix during the evening of 11 December was the first occasion on which representatives of Homix were approached in regard to the MSA Agreement or anything to do with it.
- 13 In early June 2015 the investigators reported that analysis of the Sales Lead's computer and cell phone records which had been provided by Neotel reflected that he had maintained contact with Homix intermittently during 2014 and that, most critically, on the morning of 11 December he had forwarded by email to the Homix email address a copy of two confidential briefing documents which had been prepared by senior members of Neotel management for the CEO's assistance in a meeting which had been set up for the afternoon of 11 December with a senior executive of Transnet.
- 14 The analysis of the records further revealed unreported email exchanges in regard to the CISCO transaction which placed in question the authenticity of the signature of documentation purportedly emanating from Homix but possibly generated by the Sales Lead. The analysis also reveals that Transnet approved the quotation for the CISCO transaction the day prior to the arrangement between Neotel and Homix having been finalised.
- 15 After initially collaborating with the investigators in an interview, the Sales Lead suddenly changed his position and refused to communicate further with them other than through or by arrangement with an attorney appointed by him. Neotel set about initiating disciplinary proceedings against the Sales Lead in regard to the matters which had been uncovered but these were pre-empted by the Sales Lead's resignation with immediate effect as an employee of Neotel on 4 June 2015.
- 16 Neotel's suspicions in regard to the Sales Lead's conduct were fortified by his conduct upon resignation. He was required to return the company's laptop. What he did was to arrange for the hard drive on the laptop to be removed and replaced by a clean hard drive with no data on it, thereby preventing the company from analysing the data.
- 17 Neotel does not have the legal authority to conduct a financial investigation of the banking or other records of the Sales Lead or Homix and does not have any information supporting the offer or receipt of any payment between those parties. It does, however, suspect that the deliberate misrepresentation by the Sales Lead of the true nature of his relationship and dealings with Homix have caused actual or potential prejudice to Neotel in its negotiations with Homix and the payment to Homix of the multi-million Rand fees in respect of the MSA Agreement and the CISCO Agreement and that this intentional misrepresentation constitutes fraud under Section 34(1)(b) of PRECCA.

ANNEXURE CV 17



PRIVATE & CONFIDENTIAL

July 02, 2015

Mr. Sunil Joshi
MD & CEO,
Neotel Pty Ltd
South Africa

We refer to your two letters dated June 25, 2015 regarding the Agreement between Homix & Neotel pertaining to the Asset Sale and MSA between Neotel & Transnet.

At the outset we wish to advise you that both the Asset Sale and the MSA were covered under a single Agreement between Homix & Neotel and hence we are responding to both your letters, which are identical in content, through this letter.

Please also note that we have fully complied with the various provisions of the Agreement referred to in your letter and have always conducted our business with the highest standards of integrity, always keeping the good name and reputation of our Clients foremost in our dealings.

In response to your queries we wish to advise you of the following:

Homix has been dealing with Mr. Francois van der Merwe (hereinafter FvdM) as a single point of contact in your organization and have routed all research-related findings and recommendations that led to the successful conclusion of both Agreements, through to him. We have constantly kept him updated of all developments and progress with regard to both projects. We summarize below some of the activities we have engaged in to bring the projects to fruition. For the sake of clarity we are also providing you with the chronology of events to give you a better understanding of the nature and extent of the work undertaken by us.

INTELLECTUAL PROPERTY & STRATEGY ADVISORY CONSULTANTS

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www.homix.co.za

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WEIRDA PARK
PRETORIA
P O BOX 21369, VALHALLA, 0173

DIRECTOR: Y A S BHIKHU



Dec 11, 2014 – FvdM met our representative Mr. Mandla at JB's Corner, to advise of the status quo at Transnet and requested consulting assistance with a fresh perspective to help Neotel close the deal. Thereafter, both agreed to meet the next morning (Friday 12th) should Homix be in a position to assist

Dec 12, 2014 – FvdM met Mandla as agreed at approximately 07h00 – Mandla informed FvdM that they might be able to assist and fee would be same as before namely 10% of transaction value. FvdM said he will return later that morning to confirm if this was acceptable to Neotel.

Dec 12, 2014 – Both met again. FvdM said they could only agree to 2% on MSA and fixed fee on Asset Sale, both done on full risk to Homix, which meant that if the Contract did not materialize, Neotel would be under no obligation to pay. After due deliberation of the pros and cons, we took the decision to agree to these terms and instructed Mandla to accept on behalf of Homix.

I wish to inform you here that I made a judgement call, based on the possibility of the deal materializing immediately when I heard about it, and put my team on the job from Dec 11th itself. Please find below a chronological sequence of the actions undertaken by our team to assist Neotel in securing the deal:

Actions taken: high level

Dec 11, 2014 – Homix deputed senior consultants with a high level of Telecom expertise to quickly de-construct the deal with a view to understand both parties' view of the transaction. After the team reported back, it became evident to Homix that the conceptual understanding from the Transnet negotiation team (senior managers) was not the same as the view given by Neotel. Thus Homix immediately realized that they could add value by finding a lever that could possibly help Neotel to negotiate an agreed position.

Dec 12, 2014 – Subsequent to receiving verbal confirmation from FvdM, we immediately assigned our senior consultants, who were on standby, to work round the clock and conduct intensive research from various sources, with a view to find the lever that would help Neotel get back to the negotiating table with Transnet and bring all on the same page on the real issues. Fortunately, our team was successful in coming up with a tangible solution which pinpointed several key factors and a principal Lever (as detailed below) that FvdM could use. FvdM subsequently used the material provided to interact with Transnet. We also advised FvdM to adopt an urgent approach with Transnet citing the grounds that Transnet executives were scheduled to go on leave and if this matter was not urgently resolved, the extension provision would kick-in and Transnet would immediately be liable for wasteful expenditure, which would be reported to Parliament.



Using this approach, FvdM was able to convince the Transnet negotiating team and executives to agree on a course of action and minimum terms with deadlines no later than Monday the next week. This was Homix's first step to get both parties back to the negotiating table.

Dec 12, 2014 - Homix advised FvdM to facilitate a meeting between Transnet CFO and the Neotel CEO, which he did. The meeting took place and both stakeholders agreed that their respective teams would meet on Dec 13, 2014 and not leave until they addressed all issues outstanding. In this context, Homix strongly advised FvdM to ensure that the Neotel executive decision makers be present in the meeting to ensure immediate decisions could be taken.

Finally, due to Homix' interventions, both parties understood each others' positions and now that the executives were on the same page, agreement was reached on the outstanding points of dissension.

ASSET SALE AGREEMENT – Homix realised from the start that this would be a lengthy (possibly 10 to 12 month) process and hence cost estimates were arrived at by factoring in the expected timeframes to close the deal. The Operational agreement was in fact only concluded months after the anticipated date of December 2014.

ASSET VERIFICATION - Homix also assisted Neotel to prepare the grounds with Transnet for asset verification following which the Transnet team responsible for that verification used the information to arrive at their actual check list. Homix also advised FvdM to suggest to Transnet that an external audit firm be used on Transnet's behalf to assist and ensure this be a speedier exercise than what was initially anticipated. Transnet executives agreed and this alone helped to bring the timelines down from the anticipated 10 -12 months. In this instance the Homix interventions were ongoing and guidance was given directly to Neotel and indirectly to Transnet through FvdM to ensure that they do not drift apart as before.

IDENTIFYING THE LEVER AND RE-ENGINEERING THE DEAL – We wish to discuss here the principal lever we identified that would benefit both parties and which finally helped conclude the deal.

Once briefed by Neotel and after subsequent detailed research, it became clear to Homix that the potential Asset Sale was a priority for Transnet but not necessarily for Neotel at the time.

Transnet wanted control back over infrastructure on their premises to give them independence in the near future when they have an end to the "new MSA" with a 3 year life span.



Neotel believed however, that it would take their ability and "edge" away and was not as keen to sell as was believed by Transnet.

Homix conducted further investigations into the matter (assessing both parties' point of view) and the following was evident:

Transnet considered it a priority and was under the impression Neotel did too. Capex however, was an issue as this was not budgeted in full by Transnet.

Neotel on the other hand wanted a longer term period on the MSA but their appetite for selling the assets were limited due to the high cost of maintenance.

Homix assisted Neotel in re-positioning the deal so that Transnet benefited from a lower initial Capital layout (R 200 million) and in return Neotel was offered a 5 year extension and not a 3 year extension. The total value for both deals would thus be R 2 billion and not R2,2 billion as was originally on the table.

To compensate Neotel for the cost reduction, Homix advised Neotel to push for a payment term of 7 days after signature, versus payment only once assets were physically confirmed on site. The payment term was accepted by Transnet and Neotel thus benefited from immediate cash flow and no claw-back should the asset list be incomplete (which was the case). Assets were thus sold "Voetstoots". This was a huge benefit to Neotel that cannot be understated.

Further potential advantages of this approach meant that Neotel could potentially bid for the replacement of several hundreds of kilometers of old copper cable that, should they not sell, would cost them approximately R2-3 million per month to maintain (theft and degradation of cable being the main reasons), thus over a 5 year term a potential saving of R 150 million or more to Neotel. This again must be read in the context of R2,2 billion versus the drop to R 2 billion, however incorporating a cash upfront deal

To summarize, Neotel benefited the most from this transaction because of the Homix initiatives that resulted in the following:

- 1. Cash flow upfront***
- 2. Saving of maintenance money - not retrieved or deducted from the 5 year contract value***
- 3. Potential upgrading of "Copper to Fiber" across all campuses***
- 4. Certain gain in Net profit for Neotel***
- 5. Voetstoots clause took risk away from Neotel***



With regard to the deposition at Werksmans by myself, please note that your allegations that I did not co-operate is in-correct. While, I did explain to Werksmans that Client confidentiality would be violated by disclosing names, I did show them the final presentation that was made by Homix and presented to Transnet by FvdM, which we are comfortable to share with you as well. It is a different matter that Werksmans chose to dis-regard the presentation for reasons best known to them. Enclosed please find a copy of the presentation which is self-explanatory.

In conclusion, we wish to re-iterate that we have always maintained the highest standards of integrity in our business dealings and you can rest assured that we shall always continue to do so in the future.

In light of the above and in consideration of the fact that both the MSA as well as the Asset Sale Agreements have been successfully concluded, we urge you to honour your commitment and release our outstanding payment to us at the earliest.

Thanking You, we remain with the best wishes,



Ashok Narayan
CEO
Homix Pty Ltd.

PS. Please find below a copy of the presentation

Our Business Model



STRATEGY ADVISORY SOLUTIONS

Strategy	Business Improvement	Transaction Services and Investments	Organization
<ul style="list-style-type: none"> + Corporate strategy + Business Unit strategy + Market Analysis + Portfolio Analysis + Business Case development + Vision and Mission + Capability Assessment + Channel Strategy + Competitor Analysis + Customer Segmentation + and Needs Analysis + Implication and Risks + Implementation + Localization + Local Legal and Regulatory Advice 	<ul style="list-style-type: none"> + Best Practice Analysis + Benchmarking <ul style="list-style-type: none"> • Service • Financial • Operational + Customer Strategy + Cost Reduction + Process Improvement + Channel Effectiveness + Process Mapping + Reengineering 	<ul style="list-style-type: none"> + Acquisition Strategy, Screening and Search + New Market Entry + Commercial Due Diligence <ul style="list-style-type: none"> • Market attractiveness • Competitive position • Customer perspectives • Financial performance • Operations • Management • Valuation + Management Due Diligence <ul style="list-style-type: none"> • Individual and team assessments • Organisational structure • Risk mitigation + Post Acquisition Integration and Change + Exit strategy 	<ul style="list-style-type: none"> + Management Assessment <ul style="list-style-type: none"> • Individual and team assessments • Recruitment assessments + Performance improvement <ul style="list-style-type: none"> • Leadership development • Performance / incentive alignment • Balanced Scorecard + Training / coaching support + Organization design <ul style="list-style-type: none"> • Structure and function match • Optimum level decision making + Culture and Values <ul style="list-style-type: none"> • Culture Mapping • Objectives / Value Alignment + Change Management / Transformation

Consequences of no MSA by December

- Revert to a letter of extension that stipulates a payment of R50m per month to Neotel plus annual escalation of CPIX
- Resulting in additional fruitless expenditure of approx 600m per year

Future Control of Transnet Network infrastructure

- Neotel will not sell Assets if MSA is not concluded
- Neotel is not under any legal obligation to sell Assets

Reputational Risk to Transnet

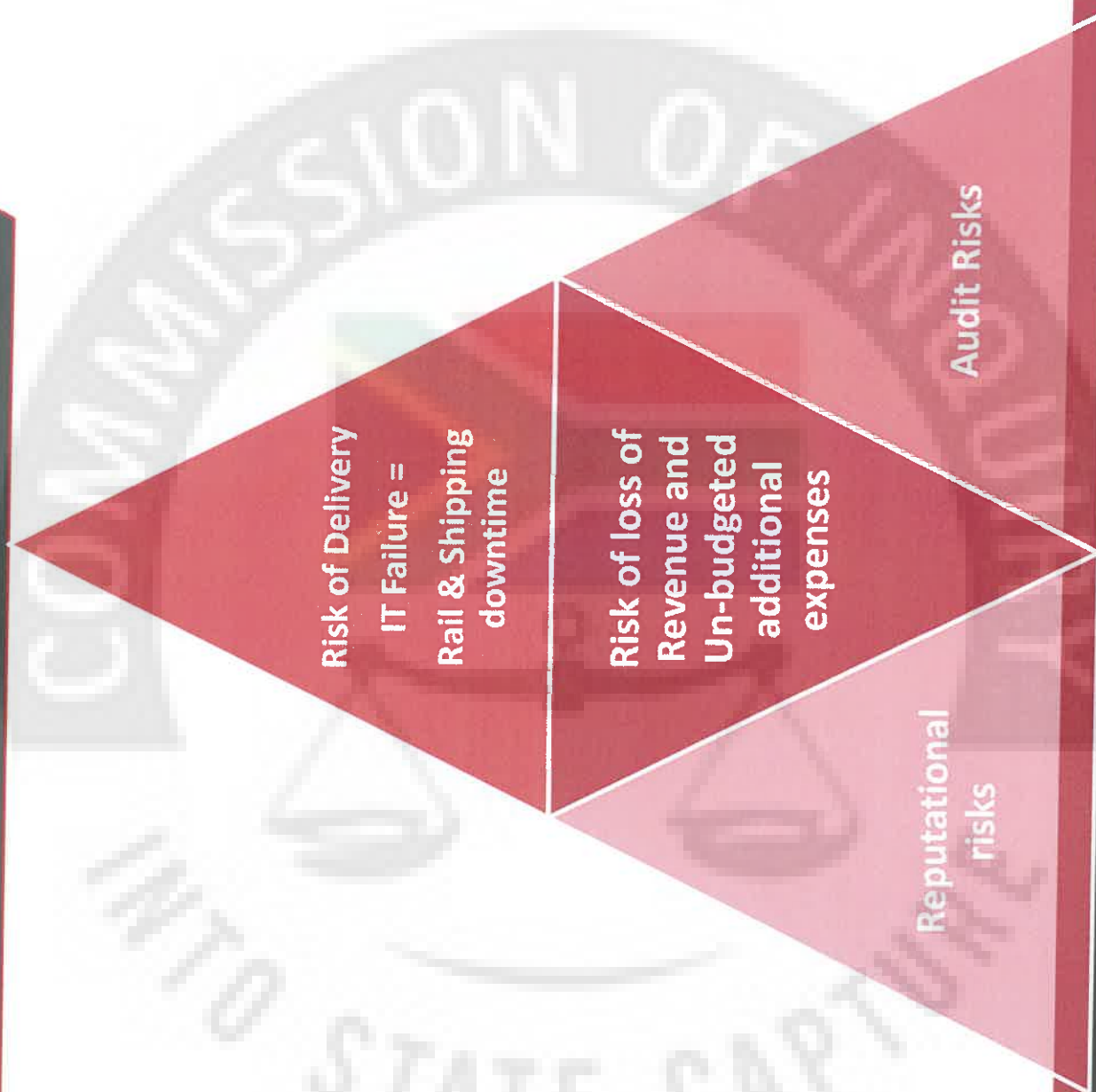
Locally

- Fruitless and wasteful expenditure report to Parliament resulting in qualified Audit
- Inability to conclude Tender of small scale with top 2 of 3 suppliers

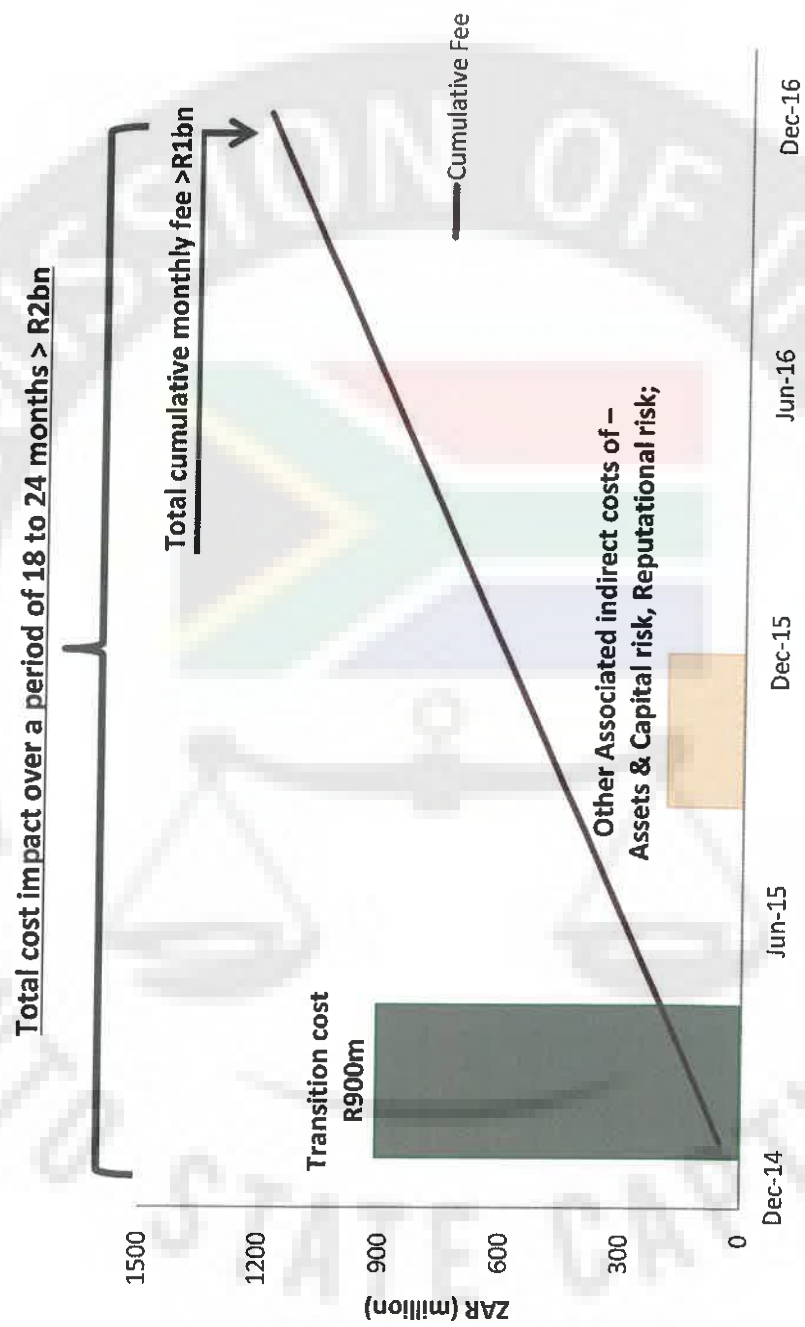
Internationally

- Currently borrowing money internationally. This would put entire Transnet at risk

Situational overview of Ongoing transaction between Neotel & Transnet



Financial Risks



Motivation to Transnet to continue negotiations

Motivation to Transnet

- Un-budgeted additional expenditure
- Transnet will not be able to impose SLA penalties
- Legal Contract with Neotel expired around mid-December 2014 and the R50m that would be paid to Neotel per month would become an un-authorised expenditure
- Possibility of legal action which would further extend the absolute risk of awarding to another service provider
- Chief Negotiators in Transnet had resigned and were only available for a limited period in December to conclude the transaction. This would stall the process and create additional risk for Transnet
- To retain independent ownership of infrastructure, conclusion of Asset Sale and operational Agreement is vital
- Due to the time it takes to publish a new Tender and award (approx 12 months) and the time to rollout to the final state of operations (approx 12 to 24 months) a 5 year MSA and not 3 years would be more viable. This will also enable Transnet to negotiate better pricing for a longer term Contract

ANNEXURE CV 18



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14 July 2015

Mr Imran Vanker
Director: Standards
Independent Regulatory Board for Auditors
Building 2
Greenstone Hill Office Park
Emerald Boulevard
Modderfontein
1609

BY HAND

Telephone: 087 940 8800

Dear Sir

FIRST REPORT: REPORTABLE IRREGULARITY

Name of entity audited: Neotel Proprietary Limited

Registration number of entity: 2004/004619/07

My firm has been jointly engaged by Neotel Proprietary Limited to audit the company's annual financial statements. I am the partner responsible for the above engagement.

I have reason to believe that a reportable irregularity, as defined in the Auditing Profession Act, has taken place in connection with the company entering into agreements with an agent, namely Homix, ("Consultancy Arrangement") in pursuit of a customer contract. This has resulted in a success fees of R61 million paid to this agent. The commerciality and legitimacy of the Consultancy Arrangement remains unclear to us. Furthermore, the company paid Homix a fee of R30.3 million ("Cisco fee arrangement") in April 2014 for bringing the CISCO equipment deal with the same customer.

I am not able to make a legal determination in respect of the suspected unlawful act or omission, but have exercised professional judgement, based on the evidence or information which has come to my knowledge, including undertaken further investigations of information as were considered necessary in the circumstances and conduct of our audit.

The contents of our investigation suggest that Section 76(3) of the Companies Act 71 of 2008, as well as the common law duty of the directors of the company to apply the required degree of care, skill and diligence, may have been breached, as more particularly described below.

National Executive: *LI Barn Chief Executive *AE Swiegers Chief Operating Officer *GM Pinnock Audit
DL Kennedy Risk Advisory *NB Yoder Tax TP Pillay Consulting *K Black Clients & Industries
*JK Mazzocco Talent & Transformation *MJ Jarvis Finance *M Jordan Strategy S Gwala Managed Services
*TJ Brown Chairman of the Board *MB Comber Deputy Chairman of the Board

A full list of partners and directors is available on request

* Partner and Registered Auditor

B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code

Member of Deloitte Touche Tohmatsu Limited

Page 2

Independent Regulatory Board for Auditors

The company secretary of the company has made a report of suspected fraud by an employee against Neotel, in connection with the Consultancy Arrangement and the abovementioned CISCO fee, to the South African Police Service in terms of the Prevention and Combatting of Corrupt Activities Act 12 of 2004. This was done after a forensic investigation was carried out.

The Chief Executive Officer and Chief Financial Officer (collectively "the Officers"), being persons responsible for the management of the company, failed to conduct appropriate background checks on the agent that the company contracted with, prior to entering into the Consultancy Arrangement and making the substantial payments (including the Cisco fee) thereunder. In our view there is reason to believe that the Officers did not –

1. apply due care, skill or diligence in authorising the Consultancy Arrangement and in accepting the Cisco fee arrangement;
2. make due or adequate enquiries with respect to the actual activity to be performed by the agent, having regard to the nature of the Consultancy Arrangement and the magnitude of the payments committed thereunder; or
3. adequately interrogate and/or question the fees payable for the required activity.

The Officers, having nevertheless proceeded to approve and implement the Consultancy Arrangement without adequate information as to what exactly the agent would do pursuant thereto, must, in our view, have reconciled themselves with the improper conduct of the agent and the ramifications and consequences thereof.

In our opinion, this constitutes an unlawful act or omission committed by any person responsible for the management of an entity, which is likely to cause material financial loss to the entity or to any partner, member, shareholder, creditor or investor of the entity in respect of their dealings with the entity, is fraudulent or amounts to theft, and/or represents a material breach of any fiduciary duty owed by such person to the entity or any partner, member, shareholder, creditor or investor of the entity under any law applying to the entity or the conduct or management thereof.

For ease of reference, section 76(3) refers:

...Subject to subsections (4) and (5), a director of a company, when acting in that capacity, must exercise the powers and perform the functions of director

- a) *in good faith and for a proper purpose;*
- b) *in the best interests of the company; and*
- c) *with the degree of care, skill and diligence that may reasonably be expected of a person—*
 - i) *carrying out the same functions in relation to the company as those carried out by that director; and*
 - ii) *having the general knowledge, skill and experience of that director.*

Page 3
Independent Regulatory Board for Auditors

As required by the Auditing Profession Act, we will be communicating these matters to the members of the Board of Neotel Proprietary Limited. We will report further to the Independent Regulatory Board for Auditors by 13 August 2015.

Please acknowledge receipt of this report.

Yours faithfully



Andre Dennis
Registered Auditor
Deloitte & Touche

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ANNEXURE CV 19





Inspiring Possibilities

7 August 2015

Deloitte & Touche
Registered Auditors
Johannesburg

Mr A J Dennis, Partner

Dear Sirs

Reportable Irregularity in terms of the Auditing Professions Act

We acknowledge receipt of your letter dated 14 July 2015 which enclosed a copy of your report to the Independent Regulatory Board for Auditors ("IRBA"). That letter records your opinion that conduct on the part of the Chief Executive Officer and the Chief Financial Officer (collectively "the Officers") constitutes unlawful acts or omissions of the Officers as persons responsible for the management of the company which meet one of the criteria set out in the definition of a reportable irregularity in the Auditing Professions Act ("the Act").

Your letter extends an invitation to meet with the Board to discuss the matter and calls for a response as soon as possible but no later than 1 August 2015.

There have, of course, been extensive and ongoing discussions with you by various board members. You have also reviewed the report made by the company in terms of the Prevention and Combatting of Corrupt Activities Act and were afforded the opportunity to meet with and question the independent firm of attorneys which conducted the forensic investigation which, amongst other things, gave rise to the statutory report. The Board believes that you are aware of its actions in:

1. authorising the report in terms of PRECCA with a view to the investigation by the South African Police Service of any possible criminal conduct by persons involved in the transactions which are the subject matter of your report;
2. issuing a formal written requirement to Homix (Pty) Ltd for an accounting of its activities in respect of the two transactions as a starting point for the consideration of civil proceedings against that entity;
3. initiated the process for the consideration of internal disciplinary proceedings by the appointment of independent legal advisors (not those that have conducted the forensic investigation of which you are aware) to investigate and initiate such internal disciplinary proceedings as are lawfully required, which has resulted in the Officers proceeding on special leave of absence to facilitate the unimpeded pursuit of the process;
4. setting in motion a revision and strengthening of the company's internal system of controls with a view to ensuring the integrity of its procurement practices; and

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Neotel (Pty) Ltd

Reg No. 2004/004619/07

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Telephone number +27 (0)11 585 0000 | Facsimile number +27 (0)11 585 0001

DIRECTORS: N Srinath* (Non-Executive Chairman), S Joshi***** (Managing Director & Chief Executive Officer), R Dhawan*, VA Kumar*****, K Memani, R Offner**, T Pham ***, SG Ranade*

ALTERNATE DIRECTOR: SS Nitsaluba

(*Indian, **Namibian, ***American, ****New Zealander, *****Singaporean)



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5. engaging with the contractual counterparties with a view to the protection of the company's interest to the extent required by such contracts.

We also believe that you are aware of the strain which these actions have placed upon the company's resources and regret the time that it has taken to respond to your letter.

The Board has given due consideration to the information available to it as a result of the independent investigations which it has authorised. The results of these investigations have been communicated to you directly both in correspondence and by affording you access to the independent attorneys who have conducted the investigation.

On the basis of the information available to it following investigations conducted to date – in particular, in circumstances where these investigations have found no dishonesty on the part of the Officers – the Board is unable to conclude that there is appropriate evidence to support your conclusion of deliberate or reckless conduct on the part of the Officers (a necessary inference to be drawn from your assertion that the Officers "reconcile themselves with the improper conduct of the agent and the ramifications and consequences thereof").

The Board, however, recognises that there has been non-compliance with existing internal procedures and controls and has embarked on a process of active steps to prevent repetition of this and to strengthen the standard of the internal controls. It has, and will continue to, require that these improvements be discussed with you.

The Board has taken active and adequate steps to prevent any repetition of any breach of the company's internal control systems. The further investigation of the matter and the special leave of absence of the Officers will ensure that no further breach of the company's internal control procedures occur.

Central to your letter under reply is the assertion that a reportable irregularity has taken place in connection with the conclusion by the company of two consultancy agreements with Homix (Pty) Ltd. We have previously addressed you on this issue. We confirm that we communicated to you that the directors of the company on 20 July 2015 passed a resolution in which the issue of the CEO's authority was comprehensively addressed. In summary, the salient aspects of the resolution, a copy of which is **attached**, are the following:

1. The Board has not deviated from its view that Mr Joshi, as Managing Director/CEO, had the delegated authority to engage Homix in December 2014, in circumstances set out more fully in the resolution.
2. Subject to point 3 below, the Board confirmed and ratified, to the extent necessary, the authority of Mr Joshi in his aforesaid capacity, to engage Homix in the particular circumstances, provided that the confirmation and ratification shall not constitute endorsement by the Board of the actions of Mr Joshi in concluding the contracts.
3. With the limited exception of the ratification of authority described in point 2 above, the confirmation and ratification shall not detract from the Board's continuing review of the circumstances surrounding the Homix engagement and matters ancillary thereto, including, but not limited to any failure on the part of any party or person to comply with applicable law and without any restriction in respect of any of the company's rights or remedies concerning the Homix engagement.

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We would be happy to engage with you in regard to any further steps that you consider that the Board should take.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Kennedy Memani'.

Kennedy Memani
Director in Charge



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A small, handwritten mark or signature in the bottom right corner of the page.

ANNEXURE CV 20



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To: Mr. Kennedy Memani
Neotel Proprietary Limited
44 Old Main Pretoria Road
Halfway House
Midrand
Johannesburg

Copy to: The Finance Parties (as defined in the LFCTA), the IDC MF Lender and the Finance Parties (as defined in the Property Loan Agreement)

14 December 2015

Dear Sirs

AGENT APPROVAL: EXTENSION TO DEADLINE FOR SUBMISSION FOR MONTHLY MANAGEMENT ACCOUNTS AND ANNUAL FINANCIAL STATEMENTS; EXTENSION TO BRIDGE LOAN; AND REQUEST FOR WAIVERS UNDER THE WAIVER REQUEST LETTER

1. We refer to:
 - 1.1 the agreement titled "*Long Term Finance Common Terms Agreement*" signed on or about 10 December 2008 between, *inter alia*, Neotel Proprietary Limited, Nedbank Limited, Investec Bank Limited, The Development Bank of Southern Africa Limited, Industrial Development Corporation of South Africa Limited, Infrastructure Finance Corporation Limited, State Bank of India Limited, Deutsche Investitions- Und Entwicklungsgesellschaft mbH, Neotel Security Company Proprietary Limited and Neotel Business Support Services Proprietary Limited as amended and/or restated from time to time (the "*LFCTA*");
 - 1.2 the agreement titled "*Loan Agreement*" signed on or about 29 July 2010 between Nedbank Limited, Investec Bank Limited, Olivewood Trading and Invest 40 Proprietary Limited, Neotel Proprietary Limited and Neotel Business Support Services Proprietary Limited, as amended and/or restated from time to time (the "*Property Loan Agreement*");
 - 1.3 the agreement titled "*IDC Mezzanine Facility Agreement*" signed on or about 10 December 2008 between Industrial Development Corporation of South Africa Limited, Nedbank Limited, Neotel Security Company Proprietary Limited, Neotel Proprietary Limited and Neotel Business Support Services, as amended and/or restated from time to time (the "*IDC MF Agreement*");

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PB Hanratty (Irish) JB Hemphill PM Makwana Dr MA Matooane NP Mnxasana RK Morathi (Chief Financial Officer) JK Netshitenzhe
MC Nkuhlu (Chief Operating Officer) S Subramoney MI Wyman (British) Company Secretary: TSB Jali 25.11.2015

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- 1.4 the agreement titled *"Short Term Loan Agreement"* signed on or about 21 March 2013 between Nedbank Limited and Neotel Proprietary Limited, as amended and/or restated from time to time (the *"Bridge Loan Agreement"*);
 - 1.5 your letter dated 27 July 2015 entitled *"Notice of Default and request for waiver pursuant to the Long Term Financing arrangements"* (the *"Waiver Request Letter"*);
 - 1.6 your letter dated 11 September 2015 entitled *"Bridge Loan – Request to LFCTA Lenders: Request for extension and to incur Permitted Financial Indebtedness"* (the *"Bridge Loan Extension Request"*);
 - 1.7 your letter dated 18 September 2015 entitled *"Extension Request: Clause 32.4.4 relating to the delivery of monthly management accounts for the last month of the financial quarter as amended by the Borrower's audit committee, as well as, clause 32.7.3.9 in terms where a board resolution is required"* (the *"Management Account Extension Request"*);
 - 1.8 your letter dated 18 September 2015 entitled *"Extension Request: Clause 32.4.1 relating to the delivery of Audited Annual Financial Statements, as well as clause 32.6.1 relating to the certification and accompaniments required"* (the *"AFS Extension Request"*);
 - 1.9 your letter dated 4 November 2015 entitled *"Extension Request: clause 32.7.3.9 in terms where a board resolution is required"* (the *"Board Resolution Extension Request"*);
 - 1.10 our letter dated 28 August 2015 entitled *"Re: Notice of Default and Request for Waiver"* which was issued by the Agent in response to the Waiver Request Letter (the *"Waiver Response Letter"*);
 - 1.11 your letter dated 9 July 2015 entitled *"EBITDA Breach Certificate"* (the *"Second EBITDA Breach Waiver Request Letter"*);
 - 1.12 your letter dated 7 October 2015 entitled *"EBITDA Breach Certificate"* (the *"Third EBITDA Breach Waiver Request Letter"*); and
 - 1.13 your letter entitled *"Notice of Default and request for waiver pursuant to the Long Term Financing Arrangements – supplementary Letter"* which is supplementary to the Request Letter (the *"Supplementary Waiver Request Letter"*).
2. Capitalised terms not otherwise defined herein shall, unless the context otherwise requires, have the meanings given to them in the LFCTA, the Property Loan Agreement, the IDC MF Agreement, the Bridge Loan Agreement, the Waiver Request Letter, the Second EBITDA Breach Waiver Request Letter, the Third EBITDA Breach Waiver Request Letter and the Supplementary Waiver Request Letter, as appropriate.
 3. We write to you in our capacity as:
 - 3.1 the Agent of the Finance Parties and the IDC MF Lender; and
 - 3.2 the Lenders' Agent under the Property Loan Agreement.
 4. Due to the number of requests submitted by the Borrower (as referred to in paragraph 1 above), we have dealt with each of these requests in turn, under appropriate headings below.

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5. Reference to specific clauses of the LFCTA includes reference to the equivalent or corresponding clauses of the IDC MF Agreement and the Property Loan Agreement, as the case may be.
6. **Extension to deadline for submission for Monthly Management Accounts, Annual Financial Statements and Board Resolution**
 - 6.1 Pursuant to the Management Account Extension Request, we hereby:
 - 6.1.1 confirm that the board resolution required to be delivered by no later than 45 days after the Financial Quarter ending 30 June 2015 in terms of clause 32.4.4 of the LFCTA (as read with clause 32.7.3.9 of the LFCTA) was delivered on 22 September 2015 and, accordingly, any breach of clause 32.4.4 of the LFCTA arising out of the failure to deliver the board resolution by such date is hereby waived; and
 - 6.1.2 consent to an extension of the date for delivery of the Monthly Managements Accounts in terms of clause 32.4.4 of the LFCTA to no later than 31 December 2015.
 - 6.2 Pursuant to the AFS Extension Request, we hereby consent to an extension of the date for delivery of the audited Annual Financial Statements in terms of clause 32.4.1 of the LFCTA to no later than 31 December 2015.
 - 6.3 Pursuant to the Board Resolution Extension Request, we hereby consent to an extension of the date for delivery of:
 - 6.3.1 the cashflow forecast and analysis in respect of the Group and each Group Company relating to the balance of the Financial Year in terms of clause 32.7.3.2 of the LFCTA; and
 - 6.3.2 a board resolution of the board of directors of the Borrower in terms of clause 32.7.3.9 of the LFCTA,

to no later than 31 December 2015.
7. **Extension to Bridge Loan**
 - 7.1 Pursuant to the Bridge Loan Extension Request, we hereby consent to the Final Repayment Date under the Bridge Loan Agreement being extended to the earlier of:
 - 7.1.1 30 June 2016;
 - 7.1.2 the date upon which the transactions contemplated in the Sale Agreement are successfully and finally completed in accordance with clause 5 of the Sale Agreement; and
 - 7.1.3 the date falling 60 days after the Sale Agreement Failure Date,

(the "Extended Final Repayment Date").
 - 7.2 The Borrower has also requested an increase in the amount of Permitted Financial Indebtedness under the LFCTA to allow for:
 - 7.2.1 any additional interest on all principal amounts currently outstanding under the Bridge Loan Agreement during the period up to and until the Extended Final Repayment Date; and
 - 7.2.2 an increase in the amount of funding available under the Bridge Loan on the following terms:

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- 7.2.2.1 a new facility in a maximum amount equal to R732,000,000 (the "New Facility") to be made available to the Borrower under the Bridge Loan Agreement for the purposes of funding the working capital requirements of the Borrower;
- 7.2.2.2 the Borrower shall be entitled to request several advances under the New Facility prior to the Extended Final Repayment Date; and
- 7.2.2.3 interest shall accrue on each advance under the New Facility at the Interest Rate (as currently defined in the Bridge Loan Agreement) from the date of each advance up to and until the Extended Final Repayment Date.
- 7.3 The New Facility will be in addition to the funding already advanced under the existing Bridge Loan Facility. The Lender (as defined in the Bridge Loan Agreement) has informed us that the outstandings under the Bridge Loan Agreement (excluding the New Facility) will amount to R844,000,000 as at 31 December 2015 (which amount shall include all amounts of principal advanced thereunder plus accrued and capitalised interest thereon).
- 7.4 We hereby consent to the request set out in paragraph 7.2 above.

8. Request for waiver(s) under the EBITDA Breach Waiver Request Letters

- 8.1 Pursuant to paragraph 8 of the Second EBITDA Breach Waiver Request Letter, we hereby waive the Second EBITDA Breach and any Event of Default which may occur as a result of the occurrence of the Second EBITDA Breach.
- 8.2 Pursuant to paragraph 8 of the Third EBITDA Breach Waiver Request Letter, we hereby waive the Third EBITDA Breach and any Event of Default which may occur as a result of the occurrence of the Third EBITDA Breach.

9. Request for waiver(s) under the Waiver Request Letter

We have noted the contents of the Supplementary Waiver Request Letter and the responses to the Waiver Response Letter set out therein. We have dealt with each of the items set out in the Waiver Request Letter in the order as they appear in paragraph 5 of that letter, as below.

We have been advised by the Borrower that it is in breach of the representations and warranties made by the Borrower under clauses 65.6 and 49.2.5.1.5 of the Transnet MSA (which relate to the payment by the Borrower of a fee to any person which is contingent upon or resulted from the award or execution of the Transnet MSA), and in relation to which we have been advised that no steps have been taken by Transnet or any other party in relation to such breach (the "MSA Representation Breaches").

9.1 Waiver requested in Paragraph 5.2(1)(a) and 5.2(1)(b) – Sanctionable Practices

Insofar as the acts or omissions of the General Manager as described in paragraphs 4.2(3) and 4.2(4) of the Waiver Request Letter constitute Sanctionable Practices as described in clauses 1.190A.2 and 1.190A.4 of the LFCTA and to the extent that an Event of Default has occurred under clause 41.4 and/or 41.8 of the LFCTA in respect of such Sanctionable Practices, we hereby waive any such Events of Default.

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9.2 Waiver requested in Paragraph 5.2(2)(b)(i) – Early Termination of the Transnet MSA

If and to the extent that a Potential Event of Default has occurred under clause 41.4 of the LFCTA (as read with clause 30.16.3 of the LFCTA) and clause 41.21.2 of the LFCTA, as a result of the MSA Representation Breaches, we hereby waive any such Potential Event of Default.

9.3 Waiver requested in paragraph 5.2(2)(b)(ii) –Breach of representations under the Transnet MSA

If and to the extent that an Event of Default has occurred under clause 41.4 of the LFCTA (as read with clause 30.16.4 of the LFCTA) arising out of the MSA Representation Breaches, we hereby waive any such Event of Default.

9.4 Waiver requested in Paragraph 5.2(2)(b)(iii) – Invalidity of the MSA

9.4.1 The Borrower has not specified the basis upon which it has requested this waiver or specified the nature or extent of the circumstances under which the Transnet MSA is or could be found to be invalid or unenforceable. Based on the information provided, it appears to us as though no Default has occurred and/or is continuing in this respect.

9.4.2 Accordingly, we do not think it is appropriate to provide this waiver.

9.5 Waiver requested in Paragraph 5.2(2)(b)(iv) – Illegality or Invalidity of the MSA

9.5.1 The Borrower has not specified the basis upon which it has requested this waiver or specified the nature or extent of the circumstances under which the Transnet MSA is or could be found to be illegal, invalid or unenforceable. Based on the information provided, it appears to us as though no Default has occurred and/or is continuing in this respect.

9.5.2 Accordingly, we do not think it is appropriate to provide this waiver.

9.6 Waiver requested in Paragraph 5.2(2)(b)(v) – Compliance with Laws

9.6.1 The Borrower has not specified the basis upon which it has requested this waiver or specified the nature or extent of the Borrower's non-compliance with applicable Laws in performing its obligations under the MSA. Based on the information provided, it appears to us as though no Default has occurred and/or is continuing in this respect.

9.6.2 Accordingly, we do not think it is appropriate to provide this waiver.

9.7 Waiver requested in Paragraph 5.2(2)(b)(vi) – Compliance with the Transnet MSA

If and to the extent that an Event of Default has occurred under clause 41.7 of the LFCTA (as read with clause 35.6 of the LFCTA) arising from the MSA Representation Breaches, we hereby waive any such Event of Default.

9.8 Waiver requested in Paragraph 5.2(2)(b)(vii) – Termination of the Transnet MSA

9.8.1 Pursuant to clause 41.8 of the LFCTA (as read with clause 36.6 of the LFCTA), no Default will occur unless an Obligor agrees to:

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- 9.8.1.1 the repudiation, termination, cancellation or suspension of the Transnet MSA, other than any termination as a result of the effluxion of time;
- 9.8.1.2 waive in favour of any person, compliance with any material provision of the Transnet MSA.
- 9.8.2 We have not been provided with any information that indicates that an Obligor has agreed to any of the circumstances set out in paragraphs 9.8.1.1 or 9.8.1.2 above. Accordingly, we do not think it is appropriate to provide this waiver.

The waivers set out in this paragraph 9 are granted solely on the basis of the information and documents provided to us set out in (and attached to) the Waiver Request Letter and the Supplementary Waiver Request Letter. Should any additional information or documentation become available or be disclosed to us, other than as disclosed in the Waiver Request Letter and the Supplementary Waiver Request Letter, the Finance Parties and the IDC MF Lender hereby reserve all of their rights under the Finance Documents in respect of any such further information and/or documentation.

10. Please confirm your acceptance and agreement to the foregoing by countersigning this letter and returning the signed duplicate original letter to the address specified above.
11. This letter shall be designated as a Finance Document.
12. This letter shall be governed by the laws of the Republic of South Africa.

Yours faithfully

Nedbank Limited (as Agent of the Finance Parties and the IDC MF Lender and as Lender's Agent)

Date: 14/12/2015

Nedbank Limited (as Agent of the Finance Parties and the IDC MF Lender and as Lender's Agent)

Date: 14/12/2015

Accepted and agreed

Neotel Proprietary Limited

Duly Authorised

Date: _____

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ANNEXURE CV 21



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To: Mr. Kennedy Memani
Neotel Proprietary Limited
44 Old Main Pretoria Road
Halfway House
Midrand
Johannesburg

Copy to: The Finance Parties (as defined in the LFCTA), the IDC MF Lender and the Finance Parties (as defined in the Property Loan Agreement)

30 June 2016

Dear Sirs

AGENT APPROVAL: REQUEST FOR WAIVERS UNDER THE WAIVER REQUEST LETTER

1. We refer to:

- 1.1 the agreement titled "*Long Term Finance Common Terms Agreement*" signed on or about 10 December 2008 between, *inter alia*, Neotel Proprietary Limited, Nedbank Limited, Investec Bank Limited, The Development Bank of Southern Africa Limited, Industrial Development Corporation of South Africa Limited, Infrastructure Finance Corporation Limited, State Bank of India Limited, Deutsche Investitions- Und Entwicklungsgesellschaft mbH, Neotel Security Company Proprietary Limited and Neotel Business Support Services Proprietary Limited as amended and/or restated from time to time (the "LFCTA");
- 1.2 the agreement titled "*Loan Agreement*" signed on or about 29 July 2010 between Nedbank Limited, Investec Bank Limited, Olivewood Trading and Invest 40 Proprietary Limited, Neotel Proprietary Limited and Neotel Business Support Services Proprietary Limited, as amended and/or restated from time to time (the "Property Loan Agreement");
- 1.3 the agreement titled "*IDC Mezzanine Facility Agreement*" signed on or about 10 December 2008 between Industrial Development Corporation of South Africa Limited, Nedbank Limited, Neotel Security Company Proprietary Limited, Neotel Proprietary Limited and Neotel Business Support Services, as amended and/or restated from time to time (the "IDC MF Agreement");
- 1.4 the agreement titled "*Short Term Loan Agreement*" signed on or about 21 March 2013 between Nedbank Limited and Neotel Proprietary Limited, as amended and/or restated from time to time (the "Bridge Loan Agreement");
- 1.5 your letter dated 19 January 2016 entitled "*EXTENSION REQUEST: CLAUSE 32.4.1 RELATING TO THE DELIVERY OF AUDITED ANNUAL FINANCIAL STATEMENTS, AS WELL AS CLAUSE 32.6.1 RELATING TO THE CERTIFICATION AND ACCOMPANIMENTS REQUIRED*" (the "AFS Extension Request Letter");
- 1.6 your letter dated 9 March 2016 entitled "*Annual Operating Plan*" (the "AOP Request Letter");

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- 1.7 your letter dated 29 March 2016 entitled **"BRIDGE LOAN- REQUEST TO LFCTA LENDERS: REQUEST FOR EXTENSION AND TO INCUR PERMITTED FINANCIAL INDEBTEDNESS"** (the **"Bridge Loan Request Letter"**);
 - 1.8 your letter dated 12 April 2016 entitled **"WAIVER REQUEST: CLAUSE 1.38 RELATING TO DEBT SERVICE RESERVE REQUIRED BALANCE (SENIOR), AS WELL AS CLAUSE 1.196 RELATING TO THE SENIOR DEBT SERVICE"** (the **"DSRA Waiver Request Letter"**);
 - 1.9 your letter dated 20 April 2016 entitled **"Notice of Default and request for waiver pursuant to the Long Term Financing arrangements"** (the **"Waiver Request Letter"**); and
 - 1.10 your letter dated 6 May 2016 entitled **"EXTENSION REQUEST: CLAUSE 32.4.4 RELATING TO THE DELIVERY OF MANAGEMENT ACCOUNTS FOR THE LAST MONTH OF THE FINANCIAL QUARTER AS AMENDED BY THE BORROWER'S AUDIT COMMITTEE, AS WELL AS, CLAUSE 32.7.3.9 IN TERMS WHERE A BOARD RESOLUTION IS REQUIRED"** (the **"Management Account and Board Resolution Extension Request Letter"**).
2. Capitalised terms not otherwise defined herein shall, unless the context otherwise requires, have the meanings given to them in the LFCTA, the Property Loan Agreement, the IDC MF Agreement, the Bridge Loan Agreement, the AFS Extension Request Letter, the AOP Request Letter, the Bridge Loan Request Letter, the DSRA Waiver Request Letter, the Waiver Request Letter and the Management Account and Board Resolution Extension Request as appropriate.
 3. We write to you in our capacity as:
 - 3.1 the Agent of the Finance Parties and the IDC MF Lender; and
 - 3.2 the Lenders' Agent under the Property Loan Agreement.
 4. Due to the number of requests submitted by the Borrower (as referred to in paragraph 1 above), we have dealt with each of these requests in turn, under appropriate headings below.
 5. Reference to specific clauses of the LFCTA includes reference to the equivalent or corresponding clauses of the IDC MF Agreement and the Property Loan Agreement, as the case may be.
 6. **Extension to deadline for submission for Monthly Management Accounts, Annual Financial Statements and Board Resolution**
 - 6.1 Pursuant to the AFS Extension Request Letter, we hereby consent to an extension of the date of delivery of:
 - 6.1.1 the audited Annual Financial Statements, for the year ended 31 March 2015, in terms of clause 32.4.1 of the LFCTA;
 - 6.1.2 the calculations, in terms of clause 32.6.1.1 of the LFCTA, of Excess Cash Flow for the year ended 31 March 2015 and calculations as to compliance with all financial covenants in terms of clause 34 of the LFCTA (other than those set out in clauses 34.2.4 to 34.2.7 of the LFCTA);
 - 6.1.3 the certificate to be issued, in terms of clause 32.6.1.2 of the LFCTA, by the chief financial officer of the Group Company giving a true and fair view of its consolidated financial condition and operations as of the year ended 31 March 2015, which certificate shall be accompanied by a management report addressed to the management of the relevant Group Company; and
 - 6.1.4 the directors report, in terms of clause 32.6.1.3 of the LFCTA, comparing the actual performance of the Borrower for the period to which the Annual Financial Statements of year ended 31 March 2015 relate against the actual performance in the corresponding period in the Financial Year ended 31 March 2014 of the Borrower, the Group and where relevant each other Group Company,

to no later than 30 June 2016.
 - 6.2 Pursuant to the Management Account and Board Resolution Extension Request Letter, we hereby consent to an extension of the date of delivery of:
 - 6.2.1 the Monthly Management Accounts in terms of clause 32.4.4 of the LFCTA; and

MAKE
THINGS
HAPPEN



6.2.2 a board resolution of the board of directors of the Borrower in terms of clause 32.7.3.9 of the LFCTA;

for each of the periods set out in paragraph 10 of the Management Account and Board Resolution Extension Request Letter, to no later than 29 July 2016.

7. Extension to Bridge Loan

Pursuant to the Bridge Loan Request Letter, we hereby consent to:

- 7.1 the Final Repayment Date under the Bridge Loan Agreement being extended to 31 December 2016 (the "Extended Final Repayment Date"); and
- 7.2 an increase in the amount of Permitted Financial Indebtedness under the LFCTA to allow for any additional interest on all principal amounts currently outstanding under the Bridge Loan Agreement during the period up to and until the Extended Final Repayment Date.

8. Request for waiver in respect of the Debt Service Reserve Account

Pursuant to the DSRA Waiver Request Letter, we hereby:

- 8.1 waive the Borrower's historical non-compliance with clause 21.1.2 of the LFCTA (as read with clauses 1.38 and 1.196 of the LFCTA) up to the date of this letter in relation to the funding of the Debt Service Reserve Account with all accrued and unpaid interest under the Senior Facilities; and
- 8.2 agree that, from the date of this letter until 31 March 2017, the Borrower shall not be obliged to fund the Debt Service Reserve Account with all accrued and unpaid interest under the Senior Facilities, save for the accrued and unpaid interest on the STLF Loans made by or owing to DEG and INCA. Accordingly, with effect from the date of this letter, the Borrower shall be obliged to fund the Debt Service Reserve Account with all accrued and unpaid interest on the STLF Loans made by or owing to DEG and INCA.

9. Request for waiver(s) under the Waiver Request Letter

9.1 Based on the information provided by the Borrower in paragraphs 6 and 7 of the Waiver Request Letter (and the attachments to the Waiver Request Letter), it appears to us there is no breach of:

- 9.1.1 clause 30.20A of the LFCTA (as read with clause 41.4 of the LFCTA); and
- 9.1.2 clause 36.18 of the LFCTA (as read with clause 41.8 of the LFCTA),

which has not been waived in paragraph 9.1 of our letter to the Borrower dated 14 December 2015 and entitled "AGENT APPROVAL: EXTENSION TO DEADLINE FOR SUBMISSION FOR MONTHLY MANAGEMENT ACCOUNTS AND ANNUAL FINANCIAL STATEMENTS; EXTENSION TO BRIDGE LOAN; AND REQUEST FOR WAIVERS UNDER THE WAIVER REQUEST LETTER". Accordingly, we do not think it is appropriate to provide the waivers requested in paragraph 9.2 of the Waiver Request Letter.

9.2 Our comments set out in paragraph 9.1 above are provided on the basis of the information and documents provided to us set out in (and attached to) the Waiver Request Letter. We confirm that we have not had sight of the Werksmans Report. Should any additional information or documentation become available or be disclosed to us, other than as disclosed in the Waiver Request Letter, the Finance Parties and the IDC MF Lender hereby reserve all of their rights under the Finance Documents in respect of any such further information and/or documentation.

10. Annual Operating Plan

Pursuant to the AOP Request Letter we hereby approve the AOP for FY17 and forecast for the next two years, as requested in paragraph 6 of the AOP Request Letter.

- 11. Please confirm your acceptance and agreement to the foregoing by countersigning this letter and returning the signed duplicate original letter to the address specified above.
- 12. This letter shall be designated as a Finance Document.

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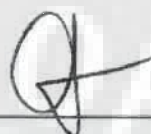

NEDBANK
CIB

13. This letter shall be governed by the laws of the Republic of South Africa.

Yours faithfully



Nedbank Limited (as Agent of the
Finance Parties and the IDC MF Lender
and as Lender's Agent)



Nedbank Limited (as Agent of the
Finance Parties and the IDC MF Lender
and as Lender's Agent)

MAKE
THINGS
HAPPEN

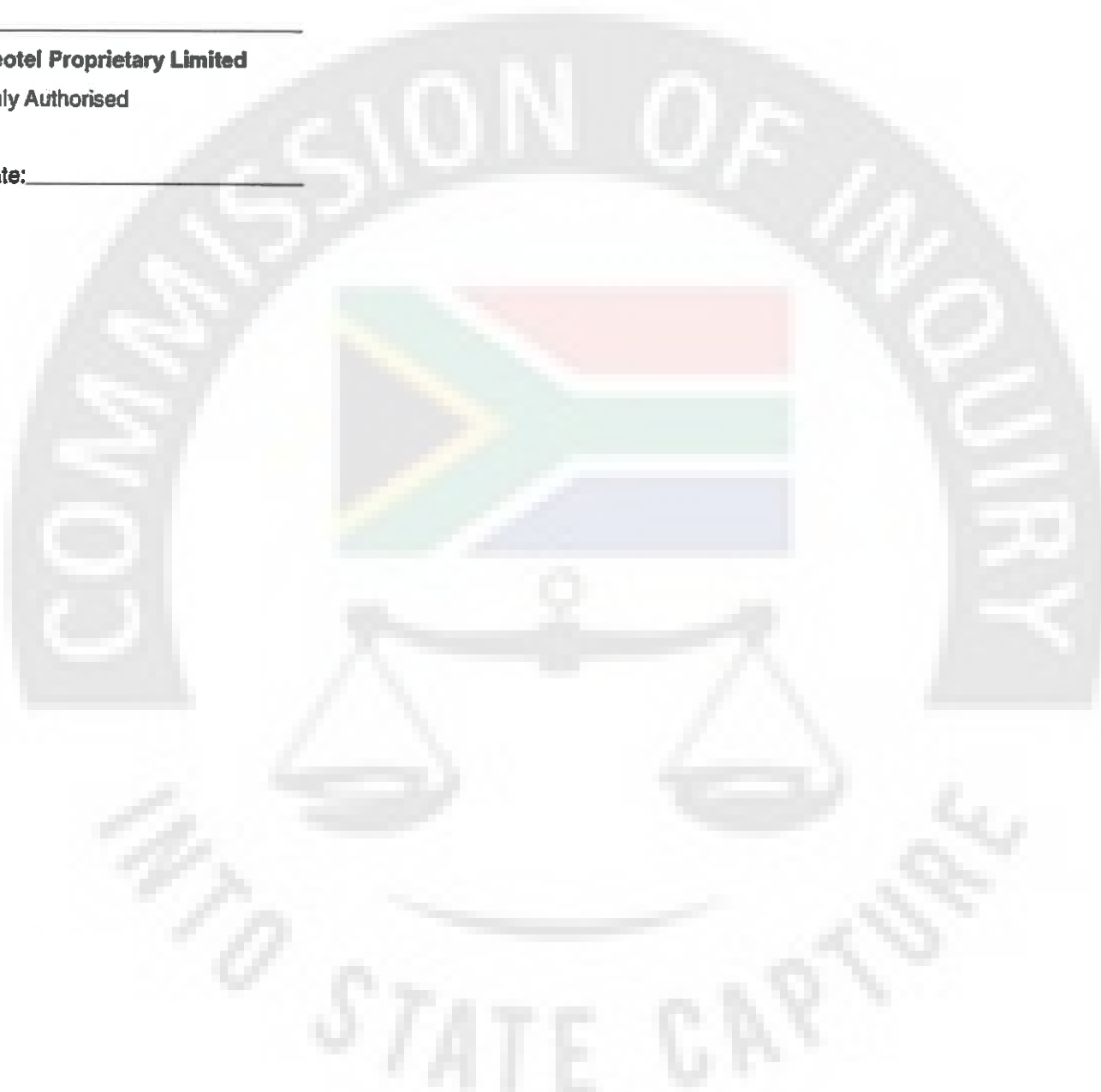

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Accepted and agreed

Neotel Proprietary Limited

Duly Authorised

Date: _____



ANNEXURE CV 22



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8 February 2016

Mr Imran Vanker
Director: Standards
Independent Regulatory Board for Auditors
Building 2
Greenstone Hill Office Park
Emerald Boulevard
Modderfontein
1609

BY HAND

Telephone: 087 940 8800

Dear Sir

FIRST REPORT: REPORTABLE IRREGULARITY

Name of entity audited: Neotel Proprietary Limited

Registration number of entity: 2004/004619/07

My firm has been jointly engaged by Neotel Proprietary Limited (the Company) to audit the company's annual financial statements. I am the partner responsible for the above engagement.

I have reason to believe that a reportable irregularity, as defined in the Auditing Profession Act, has taken place in connection with the company entering into agreements with an agent, namely Homix, ("Consultancy Arrangement") in pursuit of a customer contract. This has resulted in success fees of R61 million paid to this agent. The commerciality and business/lawful purpose of the Consultancy Arrangement remain unclear to me. Furthermore, the company paid Homix a fee of R30.3 million ("Cisco Fee Arrangement") in April 2014 relating to the Cisco equipment deal with the same customer.

The Chairman of the Company mandated Werksmans Attorneys to conduct an independent investigation into the facts and circumstances relating to transactions with Homix. From our inspection (completed on 5 February 2016) of the second preliminary report from Werksmans Attorneys, dated 30 July 2015, and other supporting information and specialist reports obtained by Werksmans Attorneys, we concluded that the directors and/or prescribed officers, after themselves having considered the report and such information, ought reasonably to have known or suspected that the payments to Homix had no business or lawful purpose as referred to in Section 29 of the Financial Intelligence Centre Act (FICA).

As such, I have reason to believe that the directors and/or prescribed officers of the company reasonably ought to have known or suspected that the transaction referred to above had no apparent business or lawful purpose, and failed to report this fact to the Financial Intelligence Centre within the 15 business day period as required in terms of Section 29 of the FICA.

National Executive: *LL Barn Chief Executive *AE Swiegers Chief Operating Officer *GJM Pinnock Audit
*N Singh Risk Advisory *HJ Kader Tax TP Pillay Consulting S Gwala BPeas *K Black Clients & Industries
*JC Mezzoccolo Talent & Transformation *MJ Jarvis Finance *M Jordan Strategy *MJ Comber Reputation & Risk
*TJ Brown Chairman of the Board

A full list of partners and directors is available on request

* Partner and Registered Auditor

B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code

Member of Deloitte Touche Tohmatsu Limited

Page 2

Independent Regulatory Board for Auditors

For ease of reference, Section 29 of FICA (abbreviated here for ease of reference) is included below:

“29(1) A person who carries on a business or is in charge of or manages a business or who is employed by a business and who knows or ought reasonably to have known or suspected that—

(b) a transaction or series of transactions to which the business is a party—

(ii) has no apparent business or lawful purpose;

must, within the prescribed period after the knowledge was acquired or the suspicion arose, report to the Centre the grounds for the knowledge or suspicion and the prescribed particulars concerning the transaction or series of transactions.”

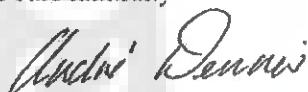
I am not able to make a legal determination in respect of the suspected unlawful act or omission, but have exercised professional judgement, based on the evidence or information which has come to my knowledge, including undertaken further investigations of information as were considered necessary in the circumstances and conduct of our audit.

In my opinion, the failure to report these transactions to the Financial Intelligence Centre in terms of Section 29 of the FICA constitutes an unlawful act or omission committed by any person responsible for the management of an entity, which represents a material breach of any fiduciary duty owed by such person(s) to the entity or any partner, member, shareholder, creditor or investor of the entity under any law applying to the entity or the conduct or management thereof.

As required by the Auditing Profession Act, I will be communicating these matters to the members of the Board of Neotel Proprietary Limited. I will report further to the Independent Regulatory Board for Auditors by 8 March 2016.

Please acknowledge receipt of this report.

Yours faithfully



Andre Dennis
Registered Auditor
Deloitte & Touche

IRBA registration number: 334480

Email: adennis@deloitte.co.za

Telephone (office): 011 806 5184

Telephone (cell): 082 566 3707



ANNEXURE CV 23



CV23



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8 February 2016

Mr Inran Vanker
Director: Standards
Independent Regulatory Board for Auditors
Building 2
Greenstone Hill Office Park
Emerald Boulevard
Modderfontein
1609

BY HAND

Telephone: 087 940 8800

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The Chairman of the Company mandated Werksmans Attorneys to conduct an independent investigation into the facts and circumstances relating to transactions with Homix. From our inspection (completed on 5 February 2016) of the second preliminary report from Werksmans Attorneys, dated 30 July 2015, and other supporting information and specialist reports obtained by Werksmans Attorneys, we concluded that the directors and/or prescribed officers, after themselves having considered the report and such information, ought reasonably to have known or suspected that the offence of corruption (as defined in Part 1, Section 3 of Prevention and Combating of Corrupt Activities Act (PRECCA)) was committed.

As such, I have reason to believe that the directors and/or prescribed officers of the company ought reasonably to have known or suspected that the offence of corruption was committed and failed to report this offence to any police official in terms of section 34 of PRECCA.

National Executive: *LL Bam Chief Executive *AE Swiegers Chief Operating Officer *GM Pinnock Audit
*N Singh Risk Advisory *Nli Kader Tax TP Pillay Consulting *S Gwala BPeas *K Black Clients & Industries
*JK Mazzocco Talent & Transformation *MJ Jarvis Finance *M Jordan Strategy *MJ Comler Reputation & Risk
*TJ Brown Chairman of the Board

A full list of partners and directors is available on request

* Partner and Registered Auditor

B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code

Member of Deloitte Touche Tohmatsu Limited



For ease of reference, Section 34 of PRECCA (abbreviated here for ease of reference) is included below:

34 Duty to report corrupt transactions

- (1) Any person who holds a position of authority and who knows or ought reasonably to have known or suspected that any other person has committed-
- (a) an offence under Part 1, 2, 3 or 4, or section 20 or 21 (in so far as it relates to the aforementioned offences) of Chapter 2; or ...
- must report such knowledge or suspicion or cause such knowledge or suspicion to be reported to any police official.

For ease of reference, Section 3 of PRECCA is included below:

3. Any person who, directly or indirectly-

- (a) accepts or agrees or offers to accept any gratification from any other person, whether for the benefit of himself or herself or for the benefit of another person; or
 - (b) gives or agrees or offers to give to any other person any gratification, whether for the benefit of that other person or for the benefit of another person,
- in order to act, personally or by influencing another person so to act, in a manner -
- (i) that amounts to the-
 - (aa) illegal, dishonest, unauthorised, incomplete, or biased; or
 - (bb) misuse or selling of information or material acquired in the course of the, exercise, carrying out or performance of any powers, duties or functions arising out of a constitutional, statutory, contractual or any other legal obligation;
 - (ii) that amounts to -
 - (aa) the abuse of a position of authority;
 - (bb) a breach of trust; or
 - (cc) the violation of a legal duty or a set of rules;
 - (iii) designed to achieve an unjustified result; or
 - (iv) that amounts to any other unauthorised or improper inducement to do or not to do anything,
- is guilty of the offence of corruption.

I am not able to make a legal determination in respect of the suspected unlawful act or omission, but have exercised professional judgement, based on the evidence or information which has come to my knowledge, including undertaken further investigations of information as were considered necessary in the circumstances and conduct of our audit.

In my opinion, the failure to report the suspected offence of corruption in terms of Section 34 of PRECCA constitutes an unlawful act or omission committed by any person responsible for the management of an entity, which represents a material breach of any fiduciary duty owed by such person to the entity or any partner, member, shareholder, creditor or investor of the entity under any law applying to the entity or the conduct or management thereof.

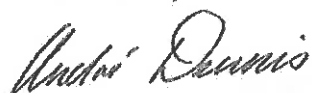
Page 3

Independent Regulatory Board for Auditors

As required by the Auditing Profession Act, I will be communicating these matters to the members of the Board of Neotel Proprietary Limited. I will report further to the Independent Regulatory Board for Auditors by 8 March 2016.

Please acknowledge receipt of this report.

Yours faithfully



Andre Dennis
Registered Auditor
Deloitte & Touche

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8 February 2016

Mr Imran Vanker
Director: Standards
Independent Regulatory Board for Auditors
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Modderfontein
1609

BY HAND

Telephone: 087 940 8800

Dear Sir

FIRST REPORT: REPORTABLE IRREGULARITY

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I have reason to believe that a reportable irregularity, as defined in the Auditing Profession Act, has taken place in connection with the company entering into back to back transactions (albeit with a margin) with a customer and a supplier (CCTV transactions). A success fee arrangement of R45 million relating to the CCTV transactions was made by Homix to the supplier of Neotel. The commerciality and business/lawful purpose of fees to Homix in other transactions relating to the same customer brings into question the CCTV transactions and the related success fees proposed and/or paid.

The Chairman of the Company mandated Werksmans Attorneys to conduct an independent investigation into the facts and circumstances relating to transactions with Homix. From our inspection (completed on 5 February 2016) of the second preliminary report from Werksmans Attorneys, dated 30 July 2015, and other supporting information and specialist reports obtained by Werksmans Attorneys, we concluded that the directors and/or prescribed officers, after themselves having considered the report and such information, ought reasonably to have known or suspected that the offence of corruption (as defined in Part 1, Section 3 of Prevention and Combating of Corrupt Activities Act (PRECCA)) was committed.

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*TJ Brown Chairman of the Board

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* Partner and Registered Auditor

B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code

Member of Deloitte Touche Tohmatsu Limited

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(cc) the violation of a legal duty or a set of rules;

(iii) designed to achieve an unjustified result; or

(iv) that amounts to any other unauthorised or improper inducement to do or not to do anything, is guilty of the offence of corruption.

I am not able to make a legal determination in respect of the suspected unlawful act or omission, but have exercised professional judgement, based on the evidence or information which has come to my knowledge, including undertaken further investigations of information as were considered necessary in the circumstances and conduct of our audit.

In my opinion, the failure to report the suspected offence of corruption in terms of Section 34 of PRECCA constitutes an unlawful act or omission committed by any person responsible for the management of an entity, which represents a material breach of any fiduciary duty owed by such person to the entity or any partner, member, shareholder, creditor or investor of the entity under any law applying to the entity or the conduct or management thereof.

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Independent Regulatory Board for Auditors

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Please acknowledge receipt of this report.

Yours faithfully



Andre Dennis
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Deloitte & Touche

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8 February 2016

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Director: Standards
Independent Regulatory Board for Auditors
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Modderfontein
1609

BY HAND

Telephone: 087 940 8800

Dear Sir

FIRST REPORT: REPORTABLE IRREGULARITY

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As such, I have reason to believe that the directors and/or prescribed officers of the company reasonably ought to have known or suspected that the transaction referred to above had no apparent business or lawful purpose, and failed to report this fact to the Financial Intelligence Centre within the 15 business day period as required in terms of Section 29 of the FICA.

National Executive: *LL Barn Chief Executive *AE Swiegers Chief Operating Officer *GM Pinnock Audit
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*TJ Brown Chairman of the Board

A full list of partners and directors is available on request

* Partner and Registered Auditor

B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code

Member of Deloitte Touche Tohmatsu Limited

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Independent Regulatory Board for Auditors

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must, within the prescribed period after the knowledge was acquired or the suspicion arose, report to the Centre the grounds for the knowledge or suspicion and the prescribed particulars concerning the transaction or series of transactions."

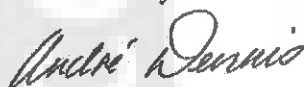
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In my opinion, the failure to report the transaction to the Financial Intelligence Centre in terms of Section 29 of the FICA constitutes an unlawful act or omission committed by any person responsible for the management of an entity, which represents a material breach of any fiduciary duty owed by such person to the entity or any partner, member, shareholder, creditor or investor of the entity under any law applying to the entity or the conduct or management thereof.

As required by the Auditing Profession Act, I will be communicating these matters to the members of the Board of Neotel Proprietary Limited. I will report further to the Independent Regulatory Board for Auditors by 8 March 2016.

Please acknowledge receipt of this report.

Yours faithfully



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8 February 2016

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The reportable irregularity is that the annual financial statements for the year ended 31 March 2015 has not been prepared and approved within 6 months of the financial year as required in terms of Section 30(1) of the Companies Act of South Africa 2008. I believe this non-compliance to be a material breach of the directors' fiduciary duties.

In our opinion, this constitutes an unlawful act or omission committed by any person responsible for the management of an entity, which represents a material breach of any fiduciary duty owed by such person to the entity or any partner, member, shareholder, creditor or investor of the entity under any law applying to the entity or the conduct or management thereof.

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Andre Dennis
Registered Auditor
Deloitte & Touche

IRBA registration number: 334480

Email: adennis@deloitte.co.za

Telephone (office): 011 806 5184

Telephone (cell): 082 566 3707



ANNEXURE CV 27



CV27



9 March 2016

Deloitte & Touche
Buildings 1 & 2
Deloitte Place
The Woodlands
Woodlands Frive
Woodmead
Sandton

Attention: Mr Andre Dennis

Dear Sirs

FIRST REPORT: REPORTABLE IRREGULARITY

Name of entity audited: Neotel Proprietary Limited

Registration number of entity: 2004/004619/07

We refer to our letter addressed to you on 7 March 2016 responding to your letters relating to the CCTV transactions. We also refer to the extensive discussions between members of the audit committee and Mr Dennis and Mr Vaghela and to the subsequent visit by Mr Vaghela to the offices of our attorneys for purposes of the re-inspection of the Werksmans report dated 30 July 2015.

These discussions focused upon the evidence supporting the belief identified in the second paragraph of your letter dated 8 February 2016 of a success fee arrangement of R45m relating to the CCTV transactions having been made by Homix to the supplier of Neotel. Also the conclusion, set out in the third paragraph of your letter, based upon the report dated 30 July 2015 with its supporting information and specialist reports, that the directors and/or prescribed officers of Neotel ought reasonably to have known or suspected that the transaction entered into between Neotel and its customer may have arisen due to a fee proposed or paid by a Neotel supplier to Homix with no business or lawful purpose or that the offence of corruption under PRECCA was committed.

It appears to be common cause following such discussions that there is no direct evidence in the Werksmans' report establishing an agreement between Homix and Techpro for a success fee in the amount of R45m or any other amount relating to the CCTV transactions. You referred to differences in the profit margins between two versions of quotations directed by Neotel to Transnet in respect of the CCTV2 transaction in March/April 2015 as reflecting a possible source of funds which might be used to make a payment to Homix. This information does not emanate from the 30 July Werksmans' report and there remains no evidence of any direct payment to Homix.

Following our discussions which were conducted in terms of Section 45(3)(a) and (b) of the APA you were advised that the company would, out of an abundance of caution, make a report in respect of the CCTV transactions based upon the suspicion of the offence of corruption under Section 34(1)(a) of PRECCA and a copy of such report will be provided under separate cover.

The absence of any evidence of an identifiable payment or of the parties making and receiving such payment, or of an actual contract between such parties means difficulties exist in populating a report to be

www.neotel.co.za

Neotel (Pty) Ltd

Reg No. 2004/004619/07

44 Old Pretoria Main Road, Halfway House, Midrand, 1685, Gauteng, South Africa

Telephone number +27 (0)11 585 0000 | Facsimile number +27 (0)11 585 0001

DIRECTORS: N Srinath* (Non-Executive Chairman), R Dhawan*, VA Kumar*, K Memani****, R Offner***, T Pham***, SG Rana**

ALTERNATE DIRECTOR: SS Niseluba

(*Indian, **Namibian, ***American, ****Director in Charge)



made under Section 29 of FICA particularly upon the basis of the information set out in your letter dated 8 February 2016 addressed to IRBA. Out of an abundance of caution, the company will report to FICA in terms of Section 29 and a copy of the report will be provided under separate cover.

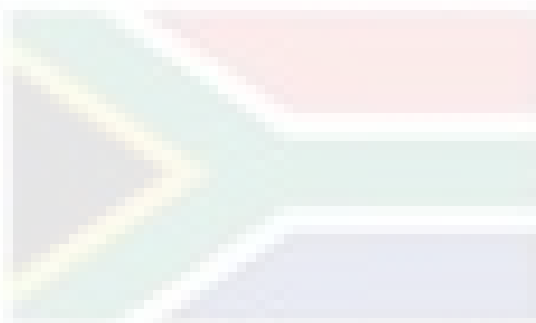
The company will instruct its legal advisors to consider and advise whether there is any recoverable loss arising out of the matters set out in this letter and will take adequate steps to act in accordance with such advice.

We therefore respectfully request your confirmation that you will advise the Regulatory Board that the suspected reportable irregularities relating to the CCTV transactions are no longer taking place.

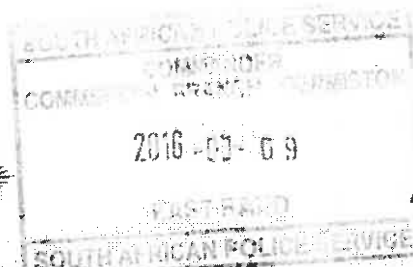
This letter supplements our earlier letter of 7 March 2016 and replaces the conclusions set out therein. We thank you for the opportunity offered to consult with you as indicated.

Yours faithfully


KENNEDY MEMANI
DIRECTOR IN CHARGE



~~2016-03-29~~ 64
(S. J. Math. ha)
2016-03-29
CAS 305/9/2015



Annexure A

TAKING DOWN OF REPORT CONTEMPLATED IN SECTION 34(3)(a) OF THE PREVENTION AND COMBATING OF CORRUPT ACTIVITIES ACT, 2004

TO: CENTRAL REPORTING OFFICE: DIRECTORATE FOR PRIORITY CRIME INVESTIGATION (DPCI)

1

(Full Names and Surname)

Rank

PERSAL Number

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
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stationed at

Tel.No

Cellular No

Email Address

a designated member of the Directorate for Priority Crime Investigation (DPCI) in the South African Police Service have received the following report (report attached where applicable) from a person holding a position of authority as contemplated in section 34(4) of the Act.

Calvin Kagiso Theko

(Full Names and Surname Of person making the report)

ID.No.

7	0	0	7	2	4	5	3	3	5	0	0	8
---	---	---	---	---	---	---	---	---	---	---	---	---

with the following contact particulars:

Residential Address

(Address)

(Suburb)

(Town/City)

(Country)

Tel.No (Private)

Cellular No

083 444 9220

Email (Private)

Work Address

Neotel (Pty) Ltd

(Employer)

Neovate Park, Ebandla Building

(Address)

44 Old Pretoria Main Road, Halfway House

(Suburb)

(Town/City)

{Country}

Tel.No (Work)

011 585 0240

Fax No

011 585 3240

Email (Work)

Calvin.Theko@neotel.co.za

Preferred
Communication
Method(s)

Acknowledgement of Receipt

Contact by DPCI

The report received entails the following:

Description of the alleged offence – Tick the applicable offence(s)

Tick

Part 1	Sec 3	General Offence of Corruption	<input checked="" type="checkbox"/>
Part 2	Sec 4	Offences in respect of Corrupt Activities relating to Public Officers	<input type="checkbox"/>
	Sec 5	Offences in respect of Corrupt Activities relating to Foreign Public Officials	<input type="checkbox"/>
	Sec 6	Offences in respect of Corrupt Activities relating to Agents	<input type="checkbox"/>
	Sec 7	Offences in respect of Corrupt Activities relating to members of Legislative Authority	<input type="checkbox"/>
	Sec 8	Offences in respect of Corrupt Activities relating to Judicial Officers	<input type="checkbox"/>
	Sec 9	Offences in respect of Corrupt Activities relating to members of Prosecuting Authority	<input type="checkbox"/>
Part 3	Sec 10	Offences of receiving or offering of unauthorised gratification by or to party to an employment relationship	<input type="checkbox"/>
Part 4	Sec 11	Offences in respect of Corrupt Activities relating to witnesses and evidential material during certain proceedings	<input type="checkbox"/>
	Sec 12	Offences in respect of Corrupt Activities relating to Contracts	<input type="checkbox"/>
	Sec 13	Offences in respect of Corrupt Activities relating to procuring and withdrawal of tenders	<input type="checkbox"/>
	Sec 14	Offences in respect of Corrupt Activities relating to Auctions	<input type="checkbox"/>
	Sec 15	Offences in respect of Corrupt Activities relating to Sporting Events	<input type="checkbox"/>
	Sec 16	Offences in respect of Corrupt Activities relating to Gambling Games or Games of Chance	<input type="checkbox"/>
Part 6	Sec 20	Other offences relating to corrupt activities - Accessory to or after offence as contemplated in Part 1, 2, 3 or 4 or section 21	<input type="checkbox"/>
	Sec 21	Other offences relating to corrupt activities - Attempt, conspiracy and inducing another person to commit offence in terms of this Act	<input type="checkbox"/>
Chap 7	Sec 34 (1)(b)	Theft, fraud, extortion, forgery or uttering of a forged document involving an amount of R 100,000-00 or more.	<input type="checkbox"/>

- 1. Provide a brief description of the suspicion of or alleged offence(s) committed. (What, when, where, why and how). Is it still ongoing?**

See attached.

2. How did the suspicion or knowledge of the alleged offence(s) come to your attention?

It arose out of queries raised during the course of the Neotel annual external audit conducted by Deloitte & Touché.

3. Full Names, Identity number of Date of Birth and contact details of person(s) allegedly involved in offence(s), as well as his/her/their position held and the role that he/she/they played in the commission of such offence(s)

Mr Francois Van der Merwe, ID no: 690917 5207 089; address: 31 Camelia Street, Morningside, Sandton; tel no: 082 780 6660; was employed as General Manager: Strategic Customers at Neotel.

Mr Ashok Narayan, ID no: unknown; business address: 192 Springbok Street, Weirda Park, Pretoria; tel no: 012 654 0183; position: Chief Executive Officer of Homix (Pty) Ltd.

Mr YAS Bhikhu, ID no: unknown; tel no: 071 115 1444 and 078 676 1786; position: Sole Director of Homix (Pty) Ltd.

4. What is the real or potential impact, losses or consequences of such alleged offence(s)?

In excess of R100 000 – the full impact of which is presently unknown.

5. Does documentation or evidence in support of the allegations exist and where/from whom can such documentation or evidence be obtained? Indicate what information was provided with the report?

All evidence garnered through the process of the investigation conducted on behalf of Neotel has been forensically secured.

6. Was the matter reported to any other person or authority and if so to whom, when and what reference number was provided?

Contemporaneously reported in terms of the Financial Intelligence Centre Act, 2001.

7. What is the nature and extent of the gratification or benefit involved? Any information to the reporter's knowledge about the standard of living of the person(s) allegedly involved.

Not known.

8. Name and contact details of possible witnesses to the alleged offence(s):

See answer to question 3 above.

SIGNATURE OF THE DESIGNATED MEMBER
DIRECTORATE FOR PRIORITY CRIME INVESTIGATION (DPCI)

Unique reporting reference number

To be inserted by the designated DPCI members to whom the report is made. A corresponding number must appear on the acknowledgment of receipt (Annexure B).

AFFIDAVIT

in terms of Section 34(1)(a) of the *Prevention and Combatting of Corrupt Activities Act, 2004* (PRECCA)

I, the undersigned

Calvin Kaghiso Theko

do hereby state under oath:

- 1 I am the Company Secretary and Head of Audit Risk & Compliance of Neotel (Pty) Ltd (registration number 2004/004619/07) (**Neotel**) of 44 Old Pretoria Road, Halfway House, Midrand, 1685, Gauteng, South Africa. I am a person who holds a position of authority within Neotel.
- 2 In June 2015, I made a report in terms of s34(1)(b) of PRECCA (**June Report**). A copy of the June Report with reference number CCUI12/6/2015 is **annexed** marked "**A**". Terms defined in the June Report bear the same meaning in this report.
- 3 Further investigations following the June Report and legal advice obtained have since led to the suspicion that offences of corruption under Part 1, Section 3 of Chapter 2 of PRECCA may have been committed (**Further Suspicion**) as follows:
 - 3.1 the offence of corruption in addition to the suspected fraud and on the basis of the information which forms the subject-matter of the June Report; and

3.2 the offence of corruption in respect of contracts for the supply of CCTV equipment.

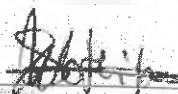
4 The CCTV contracts were entered into between Neotel and Transnet in which Technology & Procurement Holdings t/a Techpro acted as sub-contractor to Neotel. There is a suspicion that Homix was involved in the procurement of these contracts in a manner similar to the contracts referred to in the June Report.

5 Accordingly, the Further Suspicion is reported under s34(1)(a) of PRECCA. The comments set out in paragraph 18 of the June Report annexed in regard to resources available to conduct a financial investigation apply equally in relation to this report.



Calvin Kagiso Theko

I hereby certify that the deponent declares that he knows and understands the contents of this affidavit and that it is to the best of his knowledge both true and correct. This affidavit was signed and sworn to before me at Germiston on this 9th day of March 2016 and that the Regulations contained in Government Notice R1258 of 21 July 1972, as amended have been complied with.



Commissioner of Oaths

Sello Motshwa
10 Long Street
Germiston
Lentlenonk

ANNEXURE CV 28



CV28



Inspiring Possibilities

7 March 2016

Deloitte & Touche
Buildings 1 & 2
Deloitte Place
The Woodlands
Woodlands Frive
Woodmead
Sandton

Attention: Mr Andre Dennis

Dear Sirs

FIRST REPORT: REPORTABLE IRREGULARITY

Name of entity audited: Neotel Proprietary Limited

Registration number of entity: 2004/004619/07

We refer to your letter dated 8 February 2016 addressed to the Director: Standards, Independent Regulatory Board for Auditors in connection with this company's agreements with Homix ("Consultancy Arrangement") in December 2014 and the "Cisco Fee Arrangement" in April 2014.

Your letter records your conclusions following an inspection of a report received by this company from its attorneys dated 30 July 2015 together with supporting information and specialist reports obtained by the attorneys. Your inspection took place during the period 26 January to 5 February 2016. The inspection was for the specific and limited purpose of enabling you to perform your audit of this company's financial statements and you acknowledged that the disclosure and making available to you of the privileged, private and confidential documents did not constitute a waiver of the legal professional privilege which inheres in the report. We confirm these terms for the record.

The directors were advised that the circumstances referred to in your letter relating to the Consultancy Arrangement and the Cisco Fee Arrangement were not reportable on a proper interpretation of Section 29 of FICA. Payments made to Homix arising from these transactions are devoid of any element of money laundering or the transfer of the proceeds of unlawful activities. The FICA's own guidance note records that:

"Section 29 of FICA refers to reports being made in connection with the proceeds of unlawful activities and money laundering or terror financing offences as opposed to criminal activity in general. FICA does not require reports to be made on suspected crimes or unlawful conduct by a person (apart from money laundering and terror financing activities)."

On receipt of your letter the directors sought legal advice which confirmed the views set out above but recommended that senior counsel be consulted in regard to the matter. After detailed

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DIRECTORS: N Srinath* (Non-Executive Chairman), R Dhawan*, VA Kumar*, K Memani****, R Offner**, T Pham ***, SG Ranade*

ALTERNATE DIRECTOR: SS Nisaluba

(*Indian, **Namibian, ***American ****Director-In-Charge)



consultation in regard to the interpretation of Section 29(1)(b)(ii) senior counsel agreed that the section is ambiguous in its terms and may be interpreted in the manner set out above or on a literal basis which would require a report such as you suggest which would involve reporting in regard to every transaction involving unlawful activity or having no apparent business regardless of the absence of any element of money laundering or the transfer of the proceeds of unlawful activities. Having regard to this uncertainty counsel expressed the view that the company should file a Section 29 report in regard to these arrangements indicating that the report is made out of an abundance of caution.

The directors have accordingly resolved to file a report with FICA which is required to be undertaken by electronic means and you will be provided with confirmation of the filing of such report.

The directors have acted prudently in seeking advice upon what you acknowledge to be a complex legal issue and have acted in accordance with such advice. They respectfully suggest that there is no basis for your assertion that they have acted in breach of their fiduciary duties, and this view is consistent with the advice of external legal counsel and Senior Counsel.

The company has already directed a demand for an accounting of the funds paid to Homix. We draw your attention to the fact that the success fee paid in respect of the Consultancy Arrangement amount to R36m and not R61m. No payment was made in respect of the asset sale. No accounting or any payment has been received in response to the demand. The company has now formally instructed its attorneys to initiate proceedings for the recovery of the amounts disbursed by it.

Yours faithfully

KENNEDY MEMANI
DIRECTOR IN CHARGE

ANNEXURE CV 29





7 March 2016

Deloitte & Touche
Buildings 1&2
Deloitte Place
The Woodlands
Woodlands Frive
Woodmead
Sandton

Attention: Mr Andre Dennis

Dear Sirs

FIRST REPORT: REPORTABLE IRREGULARITY

Name of entity audited: Neotel Proprietary Limited

Registration number of entity: 2004/004619/07

We refer to your letter dated 8 February 2016 addressed to the Director: Standards, Independent Regulatory Board for Auditors in connection with this company's agreements with Homix ("Consultancy Arrangement") in December 2014 and the "Cisco Fee Arrangement" in April 2014.

Your letter records your conclusions following an inspection of a report received by this company from its attorneys dated 30 July 2015 together with supporting information and specialist reports obtained by the attorneys. Your inspection took place during the period 26 January to 5 February 2016. The inspection was for the specific and limited purpose of enabling you to perform your audit of this company's financial statements and you acknowledged that the disclosure and making available to you of the privileged, private and confidential documents did not constitute a waiver of the legal professional privilege which inheres in the report. We confirm these terms for the record.

The directors upon legal advice filed the existing report in regard to fraudulent conduct in relation to the Consultancy Arrangement and the Cisco Fee Arrangement in June 2015 under Section 34(1)(b) of the Prevention and Combating of Corrupt Activities Act ("PRECCA"). They were not advised to file any further report following the receipt of the supplementary report dated 30 July 2015 which confirmed that the matter had been so reported. On receipt of your letter under reply they sought advice from their attorneys in regard to the matter. In view of the complexity of the legal issues they were advised to consult senior counsel. The advice received was that an additional report should be made on the basis of reasonable suspicion in terms of Section 34(1)(a) of PRECCA in relation to the offence of corruption as defined in Section 3 of that Act.

The directors have accordingly resolved to file such a report with the relevant authority. To maintain the required confidentiality a copy of the report as filed will be provided to you under

www.neotel.co.za

Neotel (Pty) Ltd

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ALTERNATE DIRECTOR: SS Ntsaluba

(*Indian, **Namibian, ***American ****Director-In-Charge)



separate cover. The directors have acted prudently in seeking advice upon what you acknowledge to be a complex legal issue and have acted in accordance with such advice. They respectfully suggest that there is no basis for your assertion that they have acted in breach of their fiduciary duties.

The company has already directed a demand for an accounting of the funds paid to Homix. We draw your attention to the fact that the success fee paid in respect of the Consultancy Arrangement amount to R36m and not R61m. No payment was made in respect of the asset sale. No proper accounting or any payment has been received in response to the demand. The company has now formally instructed its attorneys to initiate proceedings for the recovery of the amounts disbursed by it.

Yours faithfully

KENNEDY MEMANI
DIRECTOR IN CHARGE

ANNEXURE CV 30





7 March 2016

Deloitte & Touche
Buildings 1&2
Deloitte Place
The Woodlands
Woodlands Frive
Woodmead
Sandton

Attention: Mr Andre Dennis

Dear Sirs

FIRST REPORT: REPORTABLE IRREGULARITY

Name of entity audited: Neotel Proprietary Limited

Registration number of entity: 2004/004619/07

We refer to your two letters dated 8 February 2016 addressed to the Director: Standards, Independent Regulatory Board for Auditors in connection with this company entering into transactions with a customer and a supplier identified by you as the "CCTV transactions" and raising compliance with both PRECCA and FICA.

In response to management's discussion with you and their enquiry as to the evidence upon which you based your belief that the relevant officers ought reasonably to have known or suspected the offence of corruption, you advised that your belief was based upon the content of paragraph 25 of the first preliminary report from the attorneys dated 19 May 2015. The paragraph in question deals with the discovery, as part of the analysis of the electronic communications of Francois Van der Merwe, of a draft letter apparently prepared by Van der Merwe and which appears to be an adaptation of the original letter dated 6 January 2014 alleged to have been addressed by Homix to Neotel in relation to the Cisco transaction. The adaptation of the draft is to change the addressee to Techpro (Pty) Ltd and to change the subject matter to the "replacement of CCTV Equipment and the value of the Project is estimated to be between R100m and R200m excluding VAT". The fee amount is changed to R45m. Minutes later the same mail was sent by Van der Merwe to another Homix related email address with the invitation to "please adjust and paste".

These letters are part of the chain of correspondence which formed the basis of the decision made by the company to file a Section 34(1)(b) report in terms of PRECCA because of the discovery of the clandestine relationship between Van der Merwe and Homix representatives.

There is, however, no evidence in the Werksmans' reports that the draft letter or any revision thereof was ever forwarded by Homix to Techpro nor is there any basis for the conclusion reached by you in your letter that "a success fee arrangement of R45m relating to the CCTV transactions was made by Homix to the supplier of Neotel." The board of the company has no knowledge of

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ALTERNATE DIRECTOR: SS Ntsaluba

(*Indian, **Namibian, ***American ****Director-in-Charge)



Inspiring Possibilities

any such arrangement and enquiries made on its behalf with Techpro produced a denial of the existence of any such arrangement or the payment by Techpro of any amount by that company to Homix. The company itself has not paid any such amount to Homix or to Techpro.

The company has been advised and accepts that a reporting obligation based upon reasonable suspicion requires a critical analysis and assessment of the information and evidence upon which the suspicion is to be based. In the absence of any evidence that any letter was in fact addressed by Homix to Techpro or that any agreement was entered into between Homix and Techpro or that any payments passed between those entities, there is no reasonable basis for your proposition that:

"The commerciality and business/lawful purpose of fees to Homix in other transactions relating to the same customer brings into question the CCTV transactions and the related success fees proposed and/or paid."

We respectfully suggest that the absence of any evidence in the records of the company of any payment of a fee in respect of either of the CCTV transactions; the absence of any evidence that any contract was in fact entered into between Homix and Techpro and the outright denial by Techpro of any knowledge of or payment to Homix reflect that your assumption does not meet the requirement of reasonable suspicion in a manner which justifies a report under Section 34(1)(a) of PRECCA. This particularly in view of the company's existing report under Section 34(1)(b) in regard to the clandestine and fraudulent activities of Mr Van der Merwe.

For the same reasons, we do not believe your assumptions meet the criteria of a reasonable suspicion as contemplated in Section 29 of FICA. Moreover, the requirements of Section 29(i)(b)(ii) of FICA were not met. We say so, amongst other reasons, because Neotel was not "a party to the transaction" to which your Reportable Irregularity relates.

The views set out in this letter are shared by the companies' legal advisors and senior counsel.

We respectfully request your acceptance of the fact that no reporting obligation exists.

Yours faithfully

KENNEDY MEMANI
DIRECTOR IN CHARGE

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(*Indian, **Namibian, ***American ****Director-In-Charge)

ANNEXURE CV 31





7 March 2016

Deloitte & Touche
Buildings 1 & 2
Deloitte Place
The Woodlands
Woodlands Frive
Woodmead
Sandton

Attention: Mr Andre Dennis

Dear Sirs

FIRST REPORT: REPORTABLE IRREGULARITY

Name of entity audited: Neotel Proprietary Limited

Registration number of entity: 2004/004619/07

We refer to your two letters dated 8 February 2016 addressed to the Director: Standards, Independent Regulatory Board for Auditors in connection with this company entering into transactions with a customer and a supplier identified by you as the "CCTV transactions" and raising compliance with both PRECCA and FICA.

In response to management's discussion with you and their enquiry as to the evidence upon which you based your belief that the relevant officers ought reasonably to have known or suspected the offence of corruption, you advised that your belief was based upon the content of paragraph 25 of the first preliminary report from the attorneys dated 19 May 2015. The paragraph in question deals with the discovery, as part of the analysis of the electronic communications of Francois Van der Merwe, of a draft letter apparently prepared by Van der Merwe and which appears to be an adaptation of the original letter dated 6 January 2014 alleged to have been addressed by Homix to Neotel in relation to the Cisco transaction. The adaptation of the draft is to change the addressee to Techpro (Pty) Ltd and to change the subject matter to the "replacement of CCTV Equipment and the value of the Project is estimated to be between R100m and R200m excluding VAT". The fee amount is changed to R45m. Minutes later the same mail was sent by Van der Merwe to another Homix related email address with the invitation to "please adjust and paste".

These letters are part of the chain of correspondence which formed the basis of the decision made by the company to file a Section 34(1)(b) report in terms of PRECCA because of the discovery of the clandestine relationship between Van der Merwe and Homix representatives.

There is, however, no evidence in the Werksmans' reports that the draft letter or any revision thereof was ever forwarded by Homix to Techpro nor is there any basis for the conclusion reached by you in your letter that "a success fee arrangement of R45m relating to the CCTV transactions was made by Homix to the supplier of Neotel." The board of the company has no knowledge of

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DIRECTORS: N Srinath* (Non-Executive Chairman), R Dhawan*, VA Kumar*, K Memani****, R Offner**, T Pham ***, SG Ranade*

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(*Indian, **Namibian, ***American ****Director-in-Charge)



any such arrangement and enquiries made on its behalf with Techpro produced a denial of the existence of any such arrangement or the payment by Techpro of any amount by that company to Homix. The company itself has not paid any such amount to Homix or to Techpro.

The company has been advised and accepts that a reporting obligation based upon reasonable suspicion requires a critical analysis and assessment of the information and evidence upon which the suspicion is to be based. In the absence of any evidence that any letter was in fact addressed by Homix to Techpro or that any agreement was entered into between Homix and Techpro or that any payments passed between those entities, there is no reasonable basis for your proposition that:

"The commerciality and business/lawful purpose of fees to Homix in other transactions relating to the same customer brings into question the CCTV transactions and the related success fees proposed and/or paid."

We respectfully suggest that the absence of any evidence in the records of the company of any payment of a fee in respect of either of the CCTV transactions; the absence of any evidence that any contract was in fact entered into between Homix and Techpro and the outright denial by Techpro of any knowledge of or payment to Homix reflect that your assumption does not meet the requirement of reasonable suspicion in a manner which justifies a report under Section 34(1)(a) of PRECCA. This particularly in view of the company's existing report under Section 34(1)(b) in regard to the clandestine and fraudulent activities of Mr Van der Merwe.

For the same reasons, we do not believe your assumptions meet the criteria of a reasonable suspicion as contemplated in Section 29 of FICA. Moreover, the requirements of Section 29(i)(b)(ii) of FICA were not met. We say so, amongst other reasons, because Neotel was not "a party to the transaction" to which your Reportable Irregularity relates.

The views set out in this letter are shared by the companies' legal advisors and senior counsel.

We respectfully request your acceptance of the fact that no reporting obligation exists.

Yours faithfully

KENNEDY MEMANI
DIRECTOR IN CHARGE

ANNEXURE CV 32





New Business Consultancy Agreement

Between

Neotel (Pty) Ltd

a company duly registered under the company laws of the Republic of South Africa having registration number 2004/004619/07, and having its principle place of business at 44 Old Pretoria Main Road, Midrand, Gauteng.

("Neotel")

And

Homix (Pty) Ltd

a company duly registered under the company laws of the Republic of South Africa having registration number 2012/176951/07 and having its principle place of business at 192 Springbok Street, Wierda Park, Pretoria, Gauteng.

("Consultant")

WHEREAS

- a. Neotel provides the Neotel Services.
- b. Neotel requires the assistance of the Consultant with certain activities that will lead to the conclusion of business transactions with various organizations countrywide.
- c. Neotel and the Consultant wish to record the terms and conditions which will govern the relationship between the Parties.

WHEREBY THE PARTIES AGREE AS FOLLOWS:

1. INTERPRETATION

1.1. In this Agreement -

- 1.1.1. clause headings are for convenience and are not to be used in its interpretation.
- 1.1.2. The words "include" and "including" mean "include without limitation" and "including without limitation". The use of the words "include" and "including" followed by a specific example or examples shall not be construed as limiting the meaning of the general wording preceding it.

APPROVED AS TO FORM
FOR SIGNATURE

NEOTEL LEGAL DEPARTMENT

By: *T. K. K.*

Signature: *[Signature]*

Date: *17/02/2015*



- 1.1.3. Where figures are referred to in numerals and in words, if there is any conflict between the two, the words shall prevail.
- 1.1.4. Any substantive provision, notwithstanding that it is only a definition in this Agreement, conferring rights or imposing obligations on a Party, shall be given effect to as if it were a substantive provision in the body of this Agreement.
- 1.1.5. Unless the context indicates a contrary intention an expression which denotes -
- 1.1.5.1. any gender includes the other genders;
 - 1.1.5.2. a natural person includes a juristic person and vice versa; and
 - 1.1.5.3. the singular includes the plural and vice versa.
- 1.2. In this Agreement the following expressions bear the meanings assigned to them below and cognate expressions bear corresponding meanings -
- 1.2.1. **"Affiliate"** means, with respect to either Party, any other entity which is a subsidiary or a holding company of such Party. In regard to this definition the terms "subsidiary" and "holding company" shall have the meaning assigned thereto in Section 1 of the Companies Act No. 71 of 2008, but shall include any foreign entity which, had it been registered in terms of that Act, would fall within the ambit of such term;
 - 1.2.2. **"Agreement"** means this New Business Consultancy Agreement and the Annexes and Schedules, if applicable, hereto;
 - 1.2.3. **"Business Day"** means any day other than Saturday, Sunday or a public holiday officially recognized as such in the Republic of South Africa;
 - 1.2.4. **"Commencement Date"** means 12 December 2014, notwithstanding the date that this Agreement is signed by the Party signing last in time;
 - 1.2.5. **"Consultancy Services"** means the consultancy services to be rendered by the Consultant for the Project as set out in clause 4 of this Agreement; and
 - 1.2.6. **"Customer"** means the entity set out in clause 4 of this Agreement;
 - 1.2.7. **"Fee"** means the amounts referred to in clause 6;
 - 1.2.8. **"Intellectual Property Rights"** means and includes:
 - 1.2.8.1. rights in and in relation to any invention (whether or not patented), patent, design, trade mark (whether or not registered), trade or business name (including all goodwill associated with any trade mark, or any trade or business name), copyright, database, domain name, circuit topography design, and/or utility model, and including the benefit of all registrations or applications to register and the right to apply for registration of any of the foregoing items and all rights in the nature of any of the foregoing items, each for their full term (including any extensions or renewals thereof) and wherever in the world enforceable; and
 - 1.2.8.2. all other intellectual property rights and forms of protection of a similar nature or having equivalent or similar effect and which may subsist anywhere in the world;
 - 1.2.9. **"List Price"** means the standard published price offered by Neotel to its customers, as may be amended at the sole discretion of Neotel from time to time;
 - 1.2.10. **"Neotel Services"** means those services provided by Neotel to various customers in the course of ordinary business as may be developed, supplemented, enhanced, modified, replaced or discontinued in Neotel's sole discretion from time to time;



- 1.2.11. **"Order"** means an order, duly completed and signed by a Customer, in respect of the Neotel Services, which is attached to a valid services agreement (entered into between Neotel and the Customer) which references the applicable Project;
- 1.2.12. **"Parties"** means collectively, the parties to the Agreement, as are defined on page 1 of this Agreement; and **"Party"** shall mean either one of them; and
- 1.2.13. **"Project"** means as defined in clause 4, in respect of which Neotel requires the Consultant to provide the Consultancy Services.

2. ENGAGEMENT FOR SERVICES

- 2.1. Neotel may, in its sole discretion, engage the Consultant, on a non-exclusive basis, to provide Consultancy Services for Projects described in this Agreement.
- 2.2. Notwithstanding the completion of any Schedule, Neotel shall, at all times, be entitled either itself or through other consultants (and/or agents) to solicit Orders from customers (including potential Customers) for Neotel Services.
- 2.3. The Consultant shall perform the Consultancy Services itself and shall not be entitled to appoint sub-consultants to provide the Consultancy Services.
- 2.4. Neotel reserves the right to modify or discontinue all or any portion of the Neotel Services at any time upon 90 (ninety) days written notice to the Consultant, without Neotel incurring any liability to the Consultant.
- 2.5. Apart from the terms and conditions of this agreement, Neotel shall not be liable for a Fee in relation to any Project unless a Schedule has been executed. The Fee shall be specific to a Project and related Customer identified in a Schedule. Any work undertaken by the Consultant which is not set forth in an executed Schedule shall be at the Consultant's risk and cost.

3. DURATION

- 3.1. This Agreement shall come into effect on the Commencement Date and shall remain in force until terminated in accordance with the terms hereof.
- 3.2. Either Party may terminate this Agreement on 60 (sixty) days written notice to the other Party without the obligation to formulate or furnish written reasons to the other Party. In the event that there is a signed Schedule for a Project at the time of the termination notice and an Order is not received by Neotel during the sixty (60) day notice period, neither party shall have any further obligations to the other Party in relation to such Project.
- 3.3. Neotel shall be obliged to comply with all payment obligations in relation to Fees in accordance with clauses 6 and 7 for all Orders obtained by the Consultant prior to the effective date of termination.

4. CONSULTANCY SERVICES

The Consultant agrees to undertake to analyse the requirements of both Neotel and Transnet SOC to find a workable solution to the impasse in negotiations between Neotel and Transnet SOC in regard to their Master Services Agreement.

- 4.2 For the purposes of this Agreement:
- a. **"CUSTOMER"** means: Transnet SOC Limited;



b. "PROJECT" means: the successful conclusion and signature of the asset sale forming part of the MSA concluded between Neotel and Transnet SOC Limited.

c. "NEOTEL REPRESENTATIVE" means Francois van der Merwe

5. WARRANTIES REGARDING THE PERFORMANCE OF SERVICES

- 5.1. Throughout the period of the Agreement, the Consultant warrants that it will:
 - 5.1.1. work in a manner that will reflect favourably on and promote the good name and reputation of Neotel and observe the highest standards of integrity and fair dealing with the public and not do anything which will adversely affect Neotel;
 - 5.1.2. not make any false or misleading misrepresentations or engage in any unauthorised or illegal (under any applicable law) acts;
 - 5.1.3. adhere to applicable laws and obtain such permissions and approvals necessary for it to undertake the Consultancy Services; and
 - 5.1.4. not sign or execute documents, nor make any representation or warranty relating to the Neotel Services.
- 5.2. The Consultant shall be solely responsible for all expenses incurred by it in connection with this Agreement, including staff costs, office and travelling expenses.
- 5.3. In carrying out the Consultancy Services under this Agreement, the Consultant will liaise with the representative of Neotel or with an alternate designated by him (the "Neotel Representative").
- 5.4. Subject to the terms of this Agreement, Neotel will, in its sole discretion, grant the Consultant access to various aspects of Neotel's business which Neotel believes to be necessary for the Consultant to carry out the Consultancy Services.
- 5.5. The Consultant warrants that, at all times, in undertaking the Consultancy Services under this Agreement, it shall
 - 5.5.1. diligently provide the Consultancy Services, to the best of its skills, ability, knowledge and expertise and shall at all times conduct itself with integrity with regard to or in connection with the Consultancy Services and any matter or thing in connection with this Agreement.
 - 5.5.2. comply with the instructions of the Neotel Representative;
 - 5.5.3. conduct itself in a manner that is not illegal or fraudulent; and
 - 5.5.4. comply with Neotel's governance and compliance requirements, included but not limited to US Sarbanes-Oxley Act of 2002 and King III as Neotel may request from time to time and agrees to provide its full co-operation and assistance (including with disclosing all relevant information and data) to Neotel in any related audit exercise which Neotel may undertake.
- 5.6. The Consultant indemnifies and holds Neotel harmless from any and all losses arising from, or in connection with any claim or action arising from the Consultant's failure to comply with the terms of this clause a.



6. FEES

- 6.1. For satisfactory performance of the Consultancy Services in accordance with the terms and conditions of the Agreement, Neotel shall pay to the Consultant the Fees as follows:
 - 6.1.1. For the successful conclusion and signature of the Master Services Agreement, a Fee of 2% of the value of the contract (currently at R1.8 Billion);
 - 6.1.2. The Fees contemplated in 6.1 above are excluding VAT.
- 6.2. The work is to be carried out on a pure risk basis and Consultant shall not bill for any time and material nor any out of pocket expenses.
- 6.3. *Notably, the Fees referred to above in clause 6 is success fee commission payable because of the assistance and expertise provided by Consultant enabling Neotel to successfully close the Master Services Agreement currently agreed to be lost business as confirmed by both Neotel and Transnet SOC Limited. For the avoidance of any doubt whatsoever, satisfactory performance of the Consultancy Services shall be evidenced by the successful conclusion and signature of a Master Services Agreement between Neotel and Transnet SOC.*
- 6.4. Notwithstanding the remaining provisions of this Agreement, the Consultant shall only become entitled to a Fee upon payment by Transnet SOC Limited to Neotel of the upfront payments agreed to in the Master Services Agreement.

7. PAYMENT OF FEES

- 7.1. The Consultant will invoice Neotel for Consultancy Services rendered on completion of the above set out in clauses 6.
- 7.2. For the avoidance of doubt, all amounts due and payable under this Agreement will be paid in respect of the Master Services Agreement, after signature of the Master Services Agreement and after mobilization fee has been received by Neotel from Transnet SOC Limited.
- 7.3. Payment to the Consultant of the Fee shall constitute the entire and sole liability of Neotel for performance under this Agreement. The Consultant shall not be entitled to any additional fee or other compensation for any Neotel business facilitated through the services of the Consultant unless expressly agreed in writing to the contrary. Neotel shall not be liable for any expenses or costs incurred incidental to performance of this Agreement.

8. INDEPENDENT OPERATIVE

- 8.1. For the avoidance of doubt, it is expressly agreed and declared that, in performing the Consultancy Services, the Consultant is an independent operative and not a legal representative, franchisee, servant, an employee or agent of Neotel. The Parties warrant and acknowledge that the relationship between them is not in the nature of a partnership or franchise relationship and that neither Party is in any manner entitled to make or enter into binding agreements of any nature on behalf of the other Party. Save as specifically herein contemplated –
- 8.2. the Consultant shall have no authority to assume any obligation of any kind on behalf of Neotel or to bind or commit Neotel in any way.
- 8.3. It is specifically recorded that-
 - 8.3.1. the Consultant has an existing, established business of its own, which business is entirely associated with the Consultant's own brand, trade marks and advertising; and
 - 8.3.2. the Consultant currently or will in the future, sells, markets, promotes and distributes the products and services of other parties, which products and services will be



associated with the brand names and trade marks of such parties, and are in no way linked to Neotel.

8.4. The Parties agree that Neotel –

8.4.1. has not charged, nor has it been paid any consideration or fee to enter into this Agreement with the Consultant, and will not receive any such consideration or fee for the sale/promotion of its Services by the Consultant; and

8.4.2. is not by this Agreement or at all, granting the Consultant the right to carry on a business or extending the right to carry on the Neotel business to the Consultant.

8.5. The Consultant shall have no authority or power to enter into any agreement or incur obligations on Neotel's behalf or commit Neotel in any way and the Consultant shall not hold itself out as having any such power or authority.

9. AVAILABILITY

Owing to the nature of the Consultancy Services, the Consultant agrees to be available to Neotel for performance of the Consultancy Services during all reasonable working hours as and when requested by Neotel provided that sufficient notice is given to the Consultant. The Consultant undertakes to notify Neotel of its availability or non-availability, as the case may be, for any meeting within 5 (five) Business Days of receiving written notification thereof.

10. STATUTORY OBLIGATIONS

10.1. Without prejudice to its other obligations or responsibilities, the Consultant warrants that the Consultancy Services provided under this Agreement shall be executed in all respects in accordance with all relevant requirements of any statute, statutory rule or order or other instrument having the force of law, all rules or instructions relating to safety, all rules, principles, codes of conduct and ethics, standards and customs applicable to persons undertaking the activities of an independent sales consultant, as the case may be, and all reasonable requirements of Neotel.

10.2. The Consultant hereby undertakes that, in the provision of the Consultancy Services, and in all of its engagements with Customers or prospective customers, it will (to the extent relevant) comply with the provisions of the Consumer Protection Act 68 of 2008 and any Regulations imposed thereunder, and further indemnifies Neotel against any claims or damages arising out of the Consultant's failure to comply with this clause 10.2.

11. CONFIDENTIAL INFORMATION

11.1. "Confidential Information" means that information disclosed to or obtained by the Consultant which relates to Neotel and/or its Affiliates products, services, data, staff, agreements to which the disclosing Party is a party, affairs or methods of doing business (including member records, trade secrets and information of commercial value such as the identity of existing or prospective customers and/or Customers) or any research or development matters or activities. It shall also mean all items prepared for or submitted to Neotel in connection with work performed under this Agreement.

11.2. The Consultant acknowledges that the Confidential Information is proprietary to Neotel.

11.3. The Consultant agrees to hold all such Confidential Information in trust and confidence for Neotel and not to use such Confidential Information other than for the benefit of Neotel. Except as may be authorised by Neotel in writing, the Consultant agrees -



- 11.3.1. not to utilise, employ, exploit or in any other manner whatsoever use the Confidential Information for any purpose whatsoever; or
- 11.3.2. not to disclose any such Confidential Information by publication or otherwise for any reason or purpose whatsoever; and
- 11.3.3. to restrict the dissemination of the Confidential Information to only those of its staff who are actively involved in activities for which use of Confidential Information is authorised and then only on a "need to know" basis and the Consultant shall initiate, maintain and monitor internal security procedures reasonably acceptable to Neotel to prevent unauthorised disclosure by its staff.
- 11.4. The Consultant shall procure that its staff who have access to the Confidential Information agree in writing to be bound by and to comply with the provisions of this clause 11.
- 11.5. Upon termination or expiration of this Agreement, the Consultant shall return to Neotel all materials and items including but not limited to papers, documents, tapes or other media which contain any such Confidential Information. In the event of loss of any item containing such Confidential Information, the Consultant shall promptly notify Neotel of such loss in writing. The Consultant shall keep all materials and items containing Confidential Information safe and secure at all times until such materials and items are returned to Neotel. Furthermore, the Consultant shall disclose such material under this Agreement only to those persons of Neotel whom Neotel has identified to the Consultant as an authorised recipient of such material and items.

12. TERMINATION

12.1. Termination for cause

Without prejudice to any rights and remedies that may have accrued, either Party may terminate this Agreement with immediate effect upon written notice if the other Party:

- 12.1.1. ceases to trade (either in whole, or as to any part involved in the performance of this Agreement);
- 12.1.2. becomes insolvent, has a receiver, administrative receiver, administrator or manager appointed of the whole or any part of its assets or business; or
- 12.1.3. makes any composition or arrangement with its creditors, takes or suffers any similar action in consequence of debt, is unable to pay its debts under any applicable law relating to bankruptcy or the relief of debtors.

12.2. Breach

- 12.2.1. Either Party shall be entitled to terminate this Agreement in the event of the other Party committing a material breach of any of the terms of the Agreement and failing to remedy such breach within a period of 14 (fourteen) days after receipt of written notice drawing its attention to the breach and demanding that it be remedied.
- 12.2.2. For the purposes of clause 12.2.1, failure to comply with the terms of clause a and the occurrence of any of the events listed in clause ~~Error Reference source not found.~~ shall constitute a material breach of this Agreement.

13. DISPUTE RESOLUTION

- 13.1. In the event of any dispute arising between the Parties under this Agreement, the Parties will act in good faith to attempt to settle the dispute through discussions between their respective senior representatives within 30 (thirty) days of a either Party giving the other Party notice of the issue in dispute.



- 13.2. Any dispute which cannot be resolved by the Parties within the 30 (thirty) day period, as provided in this clause 12, shall on written demand by either Party to the dispute be submitted to arbitration at the Arbitration Foundation of Southern Africa ("AFSA"). The arbitrations shall be held at Johannesburg, in the English language by a single arbitrator appointed by the AFSA, in accordance with the AFSA Rules. The decision of the arbitrator shall be binding on the Parties after the expiry of the period of 20 (twenty) days from the date of the arbitrator's ruling if no appeal has been lodged by any Party or upon the issue of determination by the appeal panel, as the case may be. Any appeal shall also be dealt with in accordance with the AFSA rules, by a panel of 3 (three) arbitrators appointed by AFSA. A decision, which becomes final and binding in terms of this clause 13.2, may be made an order of court at the instance of either Party.
- 13.3. Notwithstanding the provisions of this clause 12, either Party shall have the right to seek interim relief from any court of competent jurisdiction.

14. LIMITATION OF LIABILITY

Save for a breach of any warranties contained in this Agreement

- 14.1. neither Party shall be liable to the other Party, its employees, agents or sub-contractors or any third party for any consequential, indirect, punitive, special or incidental loss or damage howsoever arising which shall include but shall not be limited to loss of property or loss of profit, business, goodwill, revenue or anticipated savings or any costs, claims or demands of whatsoever nature and howsoever arising, whether out of breach of express or implied warranty, breach of contract, misrepresentation, negligence, strict liability, in delict or otherwise, whether asserted against that Party by any third party and whether based on or in relation to this Agreement, any Services performed or undertaken under or in connection with this Agreement, the rendering or non-rendering of the Services, their withdrawal or suspension, or otherwise; and
- 14.2. without in any way limiting or derogating from the above provisions, the Parties agree that the total amount of Neotel's liability arising out of the performance of its obligations under and in terms of this Agreement and whether in contract, delict, breach of statutory duty or otherwise, shall be limited to the total amount to be paid to the Consultant under this Agreement, in a 12 (twelve) month period.

15. BREACH

- 15.1. In the event that either Party defaults in the performance of any of its duties or obligations under this Agreement and does not cure such default within 7 (seven) business days after being given written notice of such default, then the Party not in default may terminate this Agreement forthwith by giving written notice to the defaulting Party to this effect.
- 15.2. The Consultant indemnifies and holds harmless Neotel against all costs and expenses that Neotel may incur as a result of the Consultant's failure to comply with the terms of this Agreement.

16. INTELLECTUAL PROPERTY RIGHTS

- 16.1. Neotel retains all right, title and interest in and to the Neotel Intellectual Property Rights. As of the Commencement Date, the Consultant is granted a non-exclusive license for the continued duration of this Agreement to perform any lawful act in respect of the Neotel Intellectual Property Rights for the sole purpose of providing the Consultancy Services to Neotel pursuant to this Agreement. The Consultant shall not be permitted to use the Neotel Intellectual Property Rights for the benefit of any entities other than Neotel without the written consent of



Neotel, which may be withheld at Neotel's sole discretion. The Consultant shall cease all use of the Neotel Intellectual Property Rights as of the termination or expiration date of this Agreement, or the date of completion of the Consultancy Services, whichever is the earlier.

- 16.2. Nothing contained in this Agreement shall be construed to confer or be deemed to confer on either party the Intellectual Property Rights of the other Party.
- 16.3. The Consultant indemnifies Neotel against all claims, actions, damages, liabilities, costs and expenses, including reasonable attorney's fees and expenses, arising out of any claims of infringement of any (i) Neotel Intellectual Property Rights; and/or (ii) patent, trade secret, copyright, trademark, service mark, trade name or similar proprietary right of any third party, which claim arises directly or indirectly out of the infringement by the Consultant of the Intellectual Property Rights of Neotel.

17. ADVERTISING AND MARKETING:

- 17.1. The Consultant shall not make or issue any formal or informal announcement, advertisement or statement to the press in connection with the Agreement or otherwise disclose the existence of the Agreement or the subject matter thereof to any other person without the prior written consent of Neotel.
- 17.2. Neotel shall be entitled, in its sole discretion, to make or issue any formal or informal announcement, advertisement or statement to the press in connection with the Agreement and to disclose the existence of the Agreement or the subject matter thereof to any other person.

18. CESSION AND ASSIGNMENT

- 18.1. Subject to clause 18.2, no rights, duties or liabilities under this Agreement may be ceded, assigned, transferred, conveyed or otherwise disposed of by either Party without the prior written consent of the other Party, which consent shall not be unreasonably withheld.
- 18.2. Notwithstanding the provisions of clause 18.1, Neotel is entitled to cede, transfer and make over its right, title and interest in and to any and all debts and receivables due and/or payable to Neotel under this Agreement, both future and present arising under this Agreement, as security or otherwise. The Consultant hereby recognises and consents to such cession and/or transfer (including any splitting of claims that may arise) and agrees that the prohibitions of clause 18.1 shall not apply to any such cession and/or transfer.

19. GENERAL

- 19.1. Save where expressly provided for in writing and signed by Neotel and the Consultant, this Agreement embodies and sets forth the entire agreement and understanding of the parties and supersedes all prior oral and written agreements, understandings or arrangements relating to the subject matter of this Agreement. No Party shall be entitled to rely on any agreement, understanding, arrangement, promise, term, condition or obligation, oral or written, expressed or implied other than those expressly set forth in this Agreement.
- 19.2. This Agreement shall not be amended, modified, varied or supplemented except in writing signed by Neotel and the Consultant.
- 19.3. No failure or delay on the part of either Party hereto, to exercise any right or remedy under this Agreement shall be construed as or operate as a waiver thereof, nor shall any single or partial exercise of any right or remedy, as the case may be.
- 19.4. Neither Party shall assign or charge their respective rights hereunder or purport to do the same nor transfer, make over or subcontract or purport to transfer, make over or subcontract



the performance of their respective obligations hereunder or any part thereof without the prior consent in writing of the other.

- 19.5. If any provision of this Agreement is declared invalid by any court or tribunal of competent jurisdiction, then such provisions shall be deemed automatically adjusted to conform to the requirements of validity as declared at such time and, as so adjusted, shall be deemed a provision of this Agreement as though originally included herein. In the event that the provision invalidated is of such a nature that it cannot be adjusted, the provision shall be deemed deleted from this Agreement as though the provision has never been included herein. In either case, the remaining provisions of this Agreement shall remain in effect.
- 19.6. Any notices to be given by either Party to the other in terms of this Agreement shall be sent to the addresses on the cover page of this Agreement, which the parties choose as their domicilium citandi et executandi.
- 19.7. Either Party shall be entitled to change its address upon written notice to the other Party to be effective 10 days after posting of same.
- 19.8. Any notice required to be given hereunder shall be in writing and shall be given by delivering the same by hand at or by sending the same prepaid first class recorded delivery post or other fast postal or courier service. Any such notice given as aforesaid shall be deemed to have been given or received at the time of delivery (if delivered by hand or courier) or when signed for (if sent by post). In providing the fact of dispatch by post it shall be sufficient to show that the envelope containing the notice was properly addressed, stamped and posted, and delivery recorded by the recipient's signature.
- 19.9. Clause headings are inserted for ease of reference and shall be ignored in interpreting or construing this Agreement.
- 19.10. The rule of construction that a contract shall be interpreted against the Party responsible for the drafting or preparation of the contract shall not apply.
- 19.11. This Agreement shall be governed and construed in accordance with the laws of South Africa and the parties hereto hereby submit to the jurisdiction of the South African courts.
- 19.12. The expiration or termination of this Agreement shall not affect such of the provisions of this Agreement as expressly provide that they will operate after any such expiration or termination, or which of necessity must continue to have effect after such expiration or termination, notwithstanding that the clauses themselves do not expressly provide for this.



SIGNED at Midrand on 19th Feb 2015.

For and on behalf of

NEOTEL (PROPRIETARY) LIMITED

Sonic Joshi

SONIC JOSHI
Name of Signatory

MD & CEO
Designation of Signatory

SIGNED at _____ on _____ 2015.

For and on behalf of

HOMIX (PROPRIETARY) LIMITED

Taufique

TAUFIQUE HASINWAR KHAN
Name of Signatory

CFO
Designation of Signatory

HOMIX (Pty) Ltd
Reg 2012/176951/07 VAT 4580263159
192 Springbok St Wierda Park Centurion
PO Box 21369 Valhalla 0173
Fax +27 12 654 0188
Tel +27 12 654 0183
www.homix.co.za
HOMIX
APPLYING THOUGHT

ANNEXURE CV 33





New Business Consultancy Agreement

Between

Neotel (Pty) Ltd

a company duly registered under the company laws of the Republic of South Africa having registration number 2004/004619/07, and having its principle place of business at 44 Old Pretoria Main Road, Midrand, Gauteng.

("Neotel")

And

Homix (Pty) Ltd

a company duly registered under the company laws of the Republic of South Africa having registration number 2012/176951/07 and having its principle place of business at 192 Springbok Street, Wierda Park, Pretoria, Gauteng.

("Consultant")

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- a. Neotel provides the Neotel Services.
- b. Neotel requires the assistance of the Consultant with certain activities that will lead to the conclusion of business transactions with various organizations countrywide.
- c. Neotel and the Consultant wish to record the terms and conditions which will govern the relationship between the Parties.

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APPROVED AS TO FORM
FOR SIGNATURE

NEOTEL LEGAL DEPARTMENT

By: _____

Signature: _____

Date: _____

17/07/2015

- 1.1.3. Where figures are referred to in numerals and in words, if there is any conflict between the two, the words shall prevail.
- 1.1.4. Any substantive provision, notwithstanding that it is only a definition in this Agreement, conferring rights or imposing obligations on a Party, shall be given effect to as if it were a substantive provision in the body of this Agreement.
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- 1.1.5.1. any gender includes the other genders;
 - 1.1.5.2. a natural person includes a juristic person and vice versa; and
 - 1.1.5.3. the singular includes the plural and vice versa.
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 - 1.2.3. **"Business Day"** means any day other than Saturday, Sunday or a public holiday officially recognized as such in the Republic of South Africa;
 - 1.2.4. **"Commencement Date"** means 12 December 2014, notwithstanding the date that this Agreement is signed by the Party signing last in time;
 - 1.2.5. **"Consultancy Services"** means the consultancy services to be rendered by the Consultant for the Project as set out in clause 4 of this Agreement; and
 - 1.2.6. **"Customer"** means the entity set out in clause 4 of this Agreement;
 - 1.2.7. **"Fee"** means the amounts referred to in clause 6;
 - 1.2.8. **"Intellectual Property Rights"** means and includes:
 - 1.2.8.1. rights in and in relation to any invention (whether or not patented), patent, design, trade mark (whether or not registered), trade or business name (including all goodwill associated with any trade mark, or any trade or business name), copyright, database, domain name, circuit topography design, and/or utility model, and including the benefit of all registrations or applications to register and the right to apply for registration of any of the foregoing items and all rights in the nature of any of the foregoing items, each for their full term (including any extensions or renewals thereof) and wherever in the world enforceable; and
 - 1.2.8.2. all other intellectual property rights and forms of protection of a similar nature or having equivalent or similar effect and which may subsist anywhere in the world;
 - 1.2.9. **"Neotel Services"** means those services provided by Neotel to various customers in the course of ordinary business as may be developed, supplemented, enhanced, modified, replaced or discontinued in Neotel's sole discretion from time to time;





- 1.2.10. **"Order"** means an order, duly completed and signed by a Customer, in respect of the Neotel Services, which is attached to a valid services agreement (entered into between Neotel and the Customer) which references the applicable Project;
- 1.2.11. **"Parties"** means collectively, the parties to the Agreement, as are defined on page 1 of this Agreement; and **"Party"** shall mean either one of them; and
- 1.2.12. **"Project"** means as defined in clause 4, in respect of which Neotel requires the Consultant to provide the Consultancy Services.

2. ENGAGEMENT FOR SERVICES

- 2.1. Neotel may, in its sole discretion, engage the Consultant, on a non-exclusive basis, to provide Consultancy Services for Projects described in this Agreement.
- 2.2. Notwithstanding the completion of any Schedule, Neotel shall, at all times, be entitled either itself or through other consultants (and/or agents) to solicit Orders from customers (including potential Customers) for Neotel Services.
- 2.3. The Consultant shall perform the Consultancy Services itself and shall not be entitled to appoint sub-consultants to provide the Consultancy Services.
- 2.4. Neotel reserves the right to modify or discontinue all or any portion of the Neotel Services at any time upon 90 (ninety) days written notice to the Consultant, without Neotel incurring any liability to the Consultant.
- 2.5. Apart from the terms and conditions of this agreement, Neotel shall not be liable for a Fee in relation to any Project unless a Schedule has been executed. The Fee shall be specific to a Project and related Customer identified in a Schedule. Any work undertaken by the Consultant which is not set forth in an executed Schedule shall be at the Consultant's risk and cost.

3. DURATION

- 3.1. This Agreement shall come into effect on the Commencement Date and shall remain in force until terminated in accordance with the terms hereof.
- 3.2. Either Party may terminate this Agreement on 60 (sixty) days written notice to the other Party without the obligation to formulate or furnish written reasons to the other Party. In the event that there is a signed Schedule for a Project at the time of the termination notice and an Order is not received by Neotel during the sixty (60) day notice period, neither party shall have any further obligations to the other Party in relation to such Project.
- 3.3. Neotel shall be obliged to comply with all payment obligations in relation to Fees in accordance with clauses 6 and 7 for fulfilment of the Consultancy Services by the Consultant.

4. CONSULTANCY SERVICES

- 4.1. The Consultant undertakes to facilitate the successful conclusion of the Asset Sale referred to in the Master Services Agreement concluded between Neotel and Transnet SOC Limited (Transnet).
- 4.2. For the purposes of this Agreement:
- "CUSTOMER"** means: Transnet SOC Limited;
 - "PROJECT"** means: the successful conclusion and signature of the asset sale forming part of the MSA concluded between Neotel and Transnet SOC Limited.



c. "NEOTEL REPRESENTATIVE" means Francois van der Merwe

5. WARRANTIES REGARDING THE PERFORMANCE OF SERVICES

- 5.1. Throughout the period of the Agreement, the Consultant warrants that it will:
 - 5.1.1. work in a manner that will reflect favourably on and promote the good name and reputation of Neotel and observe the highest standards of integrity and fair dealing with the public and not do anything which will adversely affect Neotel;
 - 5.1.2. not make any false or misleading misrepresentations or engage in any unauthorised or illegal (under any applicable law) acts;
 - 5.1.3. adhere to applicable laws and obtain such permissions and approvals necessary for it to undertake the Consultancy Services; and
 - 5.1.4. not sign or execute documents, nor make any representation or warranty relating to the Neotel Services.
- 5.2. The Consultant shall be solely responsible for all expenses incurred by it in connection with this Agreement, including staff costs, office and travelling expenses.
- 5.3. In carrying out the Consultancy Services under this Agreement, the Consultant will liaise with the representative of Neotel (the "Neotel Representative").
- 5.4. Subject to the terms of this Agreement, Neotel will, in its sole discretion, grant the Consultant access to various aspects of Neotel's business which Neotel believes to be necessary for the Consultant to carry out the Consultancy Services.
- 5.5. The Consultant warrants that, at all times, in undertaking the Consultancy Services under this Agreement, it shall
 - 5.5.1. diligently provide the Consultancy Services, to the best of its skills, ability, knowledge and expertise and shall at all times conduct itself with integrity with regard to or in connection with the Consultancy Services and any matter or thing in connection with this Agreement.
 - 5.5.2. comply with the instructions of the Neotel Representative;
 - 5.5.3. conduct itself in a manner that is not illegal or fraudulent; and
 - 5.5.4. comply with Neotel's governance and compliance requirements, included but not limited to US Sarbanes-Oxley Act of 2002 and King III as Neotel may request from time to time and agrees to provide its full co-operation and assistance (including with disclosing all relevant information and data) to Neotel in any related audit exercise which Neotel may undertake.
- 5.6. The Consultant indemnifies and holds Neotel harmless from any and all losses arising from, or in connection with any claim or action arising from the Consultant's failure to comply with the terms of this clause 5.

6. FEES

- 6.1. For satisfactory performance of the Consultancy Services in accordance with the terms and conditions of the Agreement, Neotel shall pay to the Consultant the Fees as follows:
 - 6.1.1. For the successful implementation and finalization of an operational agreement relating to the future maintenance, insurance and operating of the Assets bought by Transnet for Neotel, a full and final once of fee of R25 000 000.00 (Twenty Five Million



Rand), payable 30 days after signature of the Operational Agreement between Neotel and Transnet SOC Limited currently anticipated for 18 March 2015 or any other later date agreed by the Neotel and Transnet SOC Limited;

- 6.1.2. The Fees contemplated in 6.1 above are excluding VAT.
- 6.2. The work is to be carried out on a pure risk basis and the Consultant shall not bill for any time and material nor any out of pocket expenses.
- 6.3. Notably, the Fees referred to above in this clause 6 is success fee commission payable because of the assistance and expertise provided by Consultant enabling Neotel to successfully close the Project which Project is currently agreed to be lost business as confirmed by both Neotel and Transnet SOC Limited.
- 6.4. For the avoidance of any doubt whatsoever, satisfactory performance of the Consultancy Services shall be evidenced by the following:
 - 6.4.1. Successful conclusion and signature of an agreement giving effect to the sale of assets as contemplated in the Master Services Agreement concluded between Neotel and Transnet SOC on or before 19 December 2014, and
 - 6.4.2. Confirmation and agreement of related asset sale and the conclusion of an operational agreement in this regard by no later than 18 March 2015.
- 6.5. Notwithstanding the remaining provisions of this Agreement, the Consultant shall only become entitled to a Fee upon payment by Transnet SOC Limited to Neotel of the upfront payments agreed to in the Master Services Agreement.

7. PAYMENT OF FEES

- 7.1. The Consultant will invoice Neotel for Consultancy Services rendered on completion of the above set out in clauses 6.
- 7.2. Specifically payment for the asset sale contemplated in clause 6 above shall be made 30 days after the Operational Agreement between Neotel and Transnet SOC Limited has been signed by both parties – currently anticipated for 18 March 2015 but which may be extended by agreement of both Neotel and Transnet SOC Limited, in which event, the payment date for fees due to Consultant will be extended by 30 days accordingly.
- 7.3. Payment to the Consultant of the Fee shall constitute the entire and sole liability of Neotel for performance under this Agreement. The Consultant shall not be entitled to any additional fee or other compensation for any Neotel business facilitated through the services of the Consultant unless expressly agreed in writing to the contrary. Neotel shall not be liable for any expenses or costs incurred incidental to performance of this Agreement.

8. INDEPENDENT OPERATIVE

- 8.1. For the avoidance of doubt, it is expressly agreed and declared that, in performing the Consultancy Services, the Consultant is an independent operative and not a legal representative, franchisee, servant, an employee or agent of Neotel. The Parties warrant and acknowledge that the relationship between them is not in the nature of a partnership or franchise relationship and that neither Party is in any manner entitled to make or enter into binding agreements of any nature on behalf of the other Party. Save as specifically herein contemplated –
- 8.2. the Consultant shall have no authority to assume any obligation of any kind on behalf of Neotel or to bind or commit Neotel in any way.



8.3. It is specifically recorded that-

- 8.3.1. the Consultant has an existing, established business of its own, which business is entirely associated with the Consultant's own brand, trade marks and advertising; and
- 8.3.2. the Consultant currently or will in the future, sells, markets, promotes and distributes the products and services of other parties, which products and services will be associated with the brand names and trade marks of such parties, and are in no way linked to Neotel.

8.4. The Parties agree that Neotel –

- 8.4.1. has not charged, nor has it been paid any consideration or fee to enter into this Agreement with the Consultant, and will not receive any such consideration or fee for the sale/promotion of its Serviced by the Consultant; and
- 8.4.2. is not by this Agreement or at all, granting the Consultant the right to carry on a business or extending the right to carry on the Neotel business to the Consultant.

8.5. The Consultant shall have no authority or power to enter into any agreement or incur obligations on Neotel's behalf or commit Neotel in any way and the Consultant shall not hold itself out as having any such power or authority.

9. AVAILABILITY

Owing to the nature of the Consultancy Services, the Consultant agrees to be available to Neotel for performance of the Consultancy Services during all reasonable working hours as and when requested by Neotel provided that sufficient notice is given to the Consultant. The Consultant undertakes to notify Neotel of its availability or non-availability, as the case may be, for any meeting within 5 (five) Business Days of receiving written notification thereof.

10. STATUTORY OBLIGATIONS

- 10.1. Without prejudice to its other obligations or responsibilities, the Consultant warrants that the Consultancy Services provided under this Agreement shall be executed in all respects in accordance with all relevant requirements of any statute, statutory rule or order or other instrument having the force of law, all rules or instructions relating to safety, all rules, principles, codes of conduct and ethics, standards and customs applicable to persons undertaking the activities of an independent sales consultant, as the case may be, and all reasonable requirements of Neotel.
- 10.2. The Consultant hereby undertakes that, in the provision of the Consultancy Services, and in all of its engagements with Customers or prospective customers, it will (to the extent relevant) comply with the provisions of the Consumer Protection Act 68 of 2008 and any Regulations imposed thereunder, and further indemnifies Neotel against any claims or damages arising out of the Consultant's failure to comply with this clause 10.2.

11. CONFIDENTIAL INFORMATION

- 11.1. "Confidential Information" means that information disclosed to or obtained by the Consultant which relates to Neotel and/or its Affiliates products, services, data, staff, agreements to which the disclosing Party is a party, affairs or methods of doing business (including member records, trade secrets and information of commercial value such as the identity of existing or prospective customers and/or Customers) or any research or development matters or activities. It shall also mean all items prepared for or submitted to Neotel in connection with work performed under this Agreement.



- 11.2. The Consultant acknowledges that the Confidential Information is proprietary to Neotel.
- 11.3. The Consultant agrees to hold all such Confidential Information in trust and confidence for Neotel and not to use such Confidential Information other than for the benefit of Neotel. Except as may be authorised by Neotel in writing, the Consultant agrees -
- 11.3.1. not to utilise, employ, exploit or in any other manner whatsoever use the Confidential Information for any purpose whatsoever; or
 - 11.3.2. not to disclose any such Confidential Information by publication or otherwise for any reason or purpose whatsoever; and
 - 11.3.3. to restrict the dissemination of the Confidential Information to only those of its staff who are actively involved in activities for which use of Confidential Information is authorised and then only on a "need to know" basis and the Consultant shall initiate, maintain and monitor internal security procedures reasonably acceptable to Neotel to prevent unauthorised disclosure by its staff.
- 11.4. The Consultant shall procure that its staff who have access to the Confidential Information agree in writing to be bound by and to comply with the provisions of this clause 11.
- 11.5. Upon termination or expiration of this Agreement, the Consultant shall return to Neotel all materials and items including but not limited to papers, documents, tapes or other media which contain any such Confidential Information. In the event of loss of any item containing such Confidential Information, the Consultant shall promptly notify Neotel of such loss in writing. The Consultant shall keep all materials and items containing Confidential Information safe and secure at all times until such materials and items are returned to Neotel. Furthermore, the Consultant shall disclose such material under this Agreement only to those persons of Neotel whom Neotel has identified to the Consultant as an authorised recipient of such material and items.

12. TERMINATION

12.1. Termination for cause

Without prejudice to any rights and remedies that may have accrued, either Party may terminate this Agreement with immediate effect upon written notice if the other Party:

- 12.1.1. ceases to trade (either in whole, or as to any part involved in the performance of this Agreement);
- 12.1.2. becomes insolvent, has a receiver, administrative receiver, administrator or manager appointed of the whole or any part of its assets or business; or
- 12.1.3. makes any composition or arrangement with its creditors, takes or suffers any similar action in consequence of debt, is unable to pay its debts under any applicable law relating to bankruptcy or the relief of debtors.

12.2. Breach

- 12.2.1. Either Party shall be entitled to terminate this Agreement in the event of the other Party committing a material breach of any of the terms of the Agreement and failing to remedy such breach within a period of 14 (fourteen) days after receipt of written notice drawing its attention to the breach and demanding that it be remedied.
- 12.2.2. For the purposes of clause 12.2.1, failure to comply with the terms of clause 0 and the occurrence of any of the events listed in clause ~~Error! Reference source not found.~~ shall constitute a material breach of this Agreement.

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13. DISPUTE RESOLUTION

- 13.1. In the event of any dispute arising between the Parties under this Agreement, the Parties will act in good faith to attempt to settle the dispute through discussions between their respective senior representatives within 30 (thirty) days of a either Party giving the other Party notice of the issue in dispute.
- 13.2. Any dispute which cannot be resolved by the Parties within the 30 (thirty) day period, as provided in this clause 12, shall on written demand by either Party to the dispute be submitted to arbitration at the Arbitration Foundation of Southern Africa ("AFSA"). The arbitrations shall be held at Johannesburg, in the English language by a single arbitrator appointed by the AFSA, in accordance with the AFSA Rules. The decision of the arbitrator shall be binding on the Parties after the expiry of the period of 20 (twenty) days from the date of the arbitrator's ruling if no appeal has been lodged by any Party or upon the issue of determination by the appeal panel, as the case may be. Any appeal shall also be dealt with in accordance with the AFSA rules, by a panel of 3 (three) arbitrators appointed by AFSA. A decision, which becomes final and binding in terms of this clause 13.2, may be made an order of court at the instance of either Party.
- 13.3. Notwithstanding the provisions of this clause 12, either Party shall have the right to seek interim relief from any court of competent jurisdiction.

14. LIMITATION OF LIABILITY

Save for a breach of any warranties contained in this Agreement

- 14.1. neither Party shall be liable to the other Party, its employees, agents or sub-contractors or any third party for any consequential, indirect, punitive, special or incidental loss or damage howsoever arising which shall include but shall not be limited to loss of property or loss of profit, business, goodwill, revenue or anticipated savings or any costs, claims or demands of whatsoever nature and howsoever arising, whether out of breach of express or implied warranty, breach of contract, misrepresentation, negligence, strict liability, in delict or otherwise, whether asserted against that Party by any third party and whether based on or in relation to this Agreement, any Services performed or undertaken under or in connection with this Agreement, the rendering or non-rendering of the Services, their withdrawal or suspension, or otherwise; and
- 14.2. without in any way limiting or derogating from the above provisions, the Parties agree that the total amount of Neotel's liability arising out of the performance of its obligations under and in terms of this Agreement and whether in contract, delict, breach of statutory duty or otherwise, shall be limited to the total amount to be paid to the Consultant under this Agreement, in a 12 (twelve) month period.

15. BREACH

- 15.1. In the event that either Party defaults in the performance of any of its duties or obligations under this Agreement and does not cure such default within 7 (seven) business days after being given written notice of such default, then the Party not in default may terminate this Agreement forthwith by giving written notice to the defaulting Party to this effect.
- 15.2. The Consultant indemnifies and holds harmless Neotel against all costs and expenses that Neotel may incur as a result of the Consultant's failure to comply with the terms of this Agreement.



16. INTELLECTUAL PROPERTY RIGHTS

- 16.1. Neotel retains all right, title and interest in and to the Neotel Intellectual Property Rights. As of the Commencement Date, the Consultant is granted a non-exclusive license for the continued duration of this Agreement to perform any lawful act in respect of the Neotel Intellectual Property Rights for the sole purpose of providing the Consultancy Services to Neotel pursuant to this Agreement. The Consultant shall not be permitted to use the Neotel Intellectual Property Rights for the benefit of any entities other than Neotel without the written consent of Neotel, which may be withheld at Neotel's sole discretion. The Consultant shall cease all use of the Neotel Intellectual Property Rights as of the termination or expiration date of this Agreement, or the date of completion of the Consultancy Services, whichever is the earlier.
- 16.2. Nothing contained in this Agreement shall be construed to confer or be deemed to confer on either party the Intellectual Property Rights of the other Party.
- 16.3. The Consultant indemnifies Neotel against all claims, actions, damages, liabilities, costs and expenses, including reasonable attorney's fees and expenses, arising out of any claims of infringement of any (i) Neotel Intellectual Property Rights; and/or (ii) patent, trade secret, copyright, trademark, service mark, trade name or similar proprietary right of any third party, which claim arises directly or indirectly out of the infringement by the Consultant of the Intellectual Property Rights of Neotel.

17. ADVERTISING AND MARKETING:

- 17.1. The Consultant shall not make or issue any formal or informal announcement, advertisement or statement to the press in connection with the Agreement or otherwise disclose the existence of the Agreement or the subject matter thereof to any other person without the prior written consent of Neotel.
- 17.2. Neotel shall be entitled, in its sole discretion, to make or issue any formal or informal announcement, advertisement or statement to the press in connection with the Agreement and to disclose the existence of the Agreement or the subject matter thereof to any other person.

18. CESSION AND ASSIGNMENT

- 18.1. Subject to clause 18.2, no rights, duties or liabilities under this Agreement may be ceded, assigned, transferred, conveyed or otherwise disposed of by either Party without the prior written consent of the other Party, which consent shall not be unreasonably withheld.
- 18.2. Notwithstanding the provisions of clause 18.1, Neotel is entitled to cede, transfer and make over its right, title and interest in and to any and all debts and receivables due and/or payable to Neotel under this Agreement, both future and present arising under this Agreement, as security or otherwise. The Consultant hereby recognises and consents to such cession and/or transfer (including any splitting of claims that may arise) and agrees that the prohibitions of clause 18.1 shall not apply to any such cession and/or transfer.

19. GENERAL

- 19.1. Save where expressly provided for in writing and signed by Neotel and the Consultant, this Agreement embodies and sets forth the entire agreement and understanding of the parties and supersedes all prior oral and written agreements, understandings or arrangements relating to the subject matter of this Agreement. No Party shall be entitled to rely on any agreement, understanding, arrangement, promise, term, condition or obligation, oral or written, expressed or implied other than those expressly set forth in this Agreement.



- 19.2. This Agreement shall not be amended, modified, varied or supplemented except in writing signed by Neotel and the Consultant.
- 19.3. No failure or delay on the part of either Party hereto, to exercise any right or remedy under this Agreement shall be construed as or operate as a waiver thereof, nor shall any single or partial exercise of any right or remedy, as the case may be.
- 19.4. Neither Party shall assign or charge their respective rights hereunder or purport to do the same nor transfer, make over or subcontract or purport to transfer, make over or subcontract the performance of their respective obligations hereunder or any part thereof without the prior consent in writing of the other.
- 19.5. If any provision of this Agreement is declared invalid by any court or tribunal of competent jurisdiction, then such provisions shall be deemed automatically adjusted to conform to the requirements of validity as declared at such time and, as so adjusted, shall be deemed a provision of this Agreement as though originally included herein. In the event that the provision invalidated is of such a nature that it cannot be adjusted, the provision shall be deemed deleted from this Agreement as though the provision has never been included herein. In either case, the remaining provisions of this Agreement shall remain in effect.
- 19.6. Any notices to be given by either Party to the other in terms of this Agreement shall be sent to the addresses on the cover page of this Agreement, which the parties choose as their domicilium citandi et executandi.
- 19.7. Either Party shall be entitled to change its address upon written notice to the other Party to be effective 10 days after posting of same.
- 19.8. Any notice required to be given hereunder shall be in writing and shall be given by delivering the same by hand at or by sending the same prepaid first class recorded delivery post or other fast postal or courier service. Any such notice given as aforesaid shall be deemed to have been given or received at the time of delivery (if delivered by hand or courier) or when signed for (if sent by post). In providing the fact of dispatch by post it shall be sufficient to show that the envelope containing the notice was properly addressed, stamped and posted, and delivery recorded by the recipient's signature.
- 19.9. Clause headings are inserted for ease of reference and shall be ignored in interpreting or construing this Agreement.
- 19.10. The rule of construction that a contract shall be interpreted against the Party responsible for the drafting or preparation of the contract shall not apply.
- 19.11. This Agreement shall be governed and construed in accordance with the laws of South Africa and the parties hereto hereby submit to the jurisdiction of the South African courts.
- 19.12. The expiration or termination of this Agreement shall not affect such of the provisions of this Agreement as expressly provide that they will operate after any such expiration or termination, or which of necessity must continue to have effect after such expiration or termination, notwithstanding that the clauses themselves do not expressly provide for this.

A handwritten signature, possibly reading 'S/1', is written over the bottom right of the text area.



SIGNED at Midrand on 19th Feb 2015.

For and on behalf of

NEOTEL (PROPRIETARY) LIMITED

Sunil Joshi
SUNIL JOSHI

Name of Signatory

MD & CEO

Designation of Signatory

SIGNED at _____ on _____ 2015.

For and on behalf of

HOMIX (PROPRIETARY) LIMITED

Taufique Hasware

TAUFIQUE HASWARE

Name of Signatory

CFO

Designation of Signatory

HOMIX (Pty) Ltd
 Reg 2012/178031/57 VAT 4580263159
 182 Springbok St Wierda Park Centurion
 PO Box 21588 Vahlia 0173
 Fax +27 12 654 0188
 Tel +27 12 651 0163
HOMIX
 APPLYING THOUGHT www.homix.co.za



HOMIX (PTY) LTD
REG NO.: 2012/176951/07
192 SPRINKBOK STREET, WEIRDA PARK, PRETORIA
P.O BOX 21369, VALHALLA, 0173
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FAX: +27 12 654 0188
www.homix.co.za

TAX INVOICE

VAT No.:4880263159

INVOICE TO:

NEOTEL (PTY) LTD
NEO VATE PARK
44 OLD PRETORIA MAIN ROAD
MIDRAND
1685

VAT NO:4800224455

DATE: 2/01/2015
INVOICE NO: 378
ORDER NO: TN-SOC
PROJECT: MSA
CONTACT:
ACC. NO: NEO01

QTY	DESCRIPTION	UNIT PRICE	TOTAL
	For- Master Services Agreement Successful Conclusion		
	Success Fee	R 36 000 000,00	R 36 000 000,00
SUB TOTAL			R 36 000 000,00
VAT			R 5 040 000,00
TOTAL			R 41 040 000,00

Payment 7 Days from invoice

ACCOUNT DETAILS:

BANK:	STANDARD BANK
ACCOUNT NAME:	HOMIX (PTY) LTD
ACCOUNT TYPE:	CURRENT ACCOUNT
ACCOUNT NUMBER:	011863897
BRANCH NAME:	VAN DER WALT STREET
BRANCH CODE:	10145

INTELLECTUAL PROPERTY & HUMAN RESOURCE CONSULTANTS