



**DENEL**

**EXHIBIT W 9**

**MONHLA WILMA  
HLAHLA**



**JUDICIAL COMMISSION OF INQUIRY INTO ALLEGATIONS OF STATE CAPTURE,  
CORRUPTION AND FRAUD IN THE PUBLIC SECTOR INCLUDING ORGANS OF STATE**

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**IN THE COMMISSION OF INQUIRY INTO ALLEGATIONS OF STATE CAPTURE,  
CORRUPTION AND FRAUD IN THE PUBLIC SECTOR, INCLUDING ORGANS OF  
STATE**

**AFFIDAVIT**

I, the undersigned,

**MONHLA WILMA HLAHLA**

do hereby declare under oath and state that:

**1. INTRODUCTION AND PURPOSE OF THIS AFFIDAVIT**

1.1 I am the Chairperson of the Board of Directors of Denel SOC Limited ("Denel").

I was appointed by the Minister of Public Enterprises, the Honorable Pravin Gordhan MP, on 9 April 2018.

1.2 I make this statement as a Chairperson of the Board of Directors of Denel ("the Board"). It is my duty as a Chairperson of the Board and as a director of Denel to among other things, exercise the duty of utmost care towards Denel, its assets



and records and to act with fidelity, honesty, integrity and in the best interests of Denel.

1.3 This statement is submitted in terms of Rule 6.2 of the Rules governing proceedings of the Judicial Commission of Inquiry into Allegations of State Capture, Corruption and Fraud in the Public Sector including Organs of State ("the Commission") and it seeks to shed light on the status of governance at Denel and on certain allegations of state capture, corruption and fraud that involve Denel.

1.4 To achieve this end, in this statement I set out, in broad terms the:

1.4.1 role of Denel in the South African defence industry;

1.4.2 state in which the Board found Denel; and

1.4.3 interventions made and steps taken by the Board to bring about a turnaround in the overall governance of Denel.

1.5 I will refer to the contents of the 2018/2019 Integrated Annual Report in this affidavit from time to time to illustrate some of the work that has been undertaken by the Board.



## 2. DENEL SOC LIMITED AND ITS IMPORTANCE TO SOUTH AFRICA'S DEFENCE INDUSTRY

2.1 Denel SOC Ltd is a state-owned company incorporated in terms of the Company Laws of South Africa with the South African Government as the sole Shareholder. It is a public entity listed under schedule 2 of the Public Finance Management Act (Act No 1 of 1999) (the "PFMA"), with the Minister of Public Enterprises as the executive authority.

2.2 Denel was established by the Division Agreement concluded in 1992 between the Minister of Public Enterprises, the Minister of Defence and Communication, the Armaments Corporation of South Africa Limited and Denel (Pty) Ltd. This agreement gave effect to the splitting of Armscor into two separate state-owned companies namely Denel and Armscor.

2.3 Denel comprises of the Group Corporate Office, five divisions, three subsidiaries, and four international associate companies. Currently, Denel employs approximately 3032 employees, of which approximately 63% are artisans, technicians, engineers and scientists.

2.4 Denel Group Corporate Office comprises of support functions of among others Finance, Human Resources, Marketing, office of the Group Chief Operating Officer ("Group COO"), Risk, Legal, Communications and Supply Chain.

- 2.5 Denel divisions are Denel Dynamics, Denel Landward Systems, Denel Aeronautics, Denel Pretoria Metal Pressings and Denel Overberg Test Range. These divisions have their respective chief executives.
- 2.6 Denel subsidiaries are Denel Aerostructure, Denel Vehicle Systems and LMT while international associated companies include Hensoldt, Denel Rheinmetall Munitions and Barij Dynamics.
- 2.7 Denel's triple mandate is to be the custodian of sovereign defence capabilities; to strive to be a successful commercially sustainable state-owned company; and to contribute to the socio-economic objectives of the country.
- 2.8 Denel is a global designer, developer, manufacturer, systems integrator and supplier of world-class advanced technologies and engineering services, specialising in defence, security, aerospace and related technology products and solutions.
- 2.9 Denel is an important defence contractor in the domestic market and a key supplier to the South African National Defence Force ("SANDF"), both as original equipment manufacturer and for the overhaul, maintenance, repair, refurbishment and upgrade of equipment in the SANDF's arsenal. To this end I



must mention however that the decreased budget of the Department of Defence has had negative impact on the sustainability of Denel.

### 3. THE DENEL BOARD OF DIRECTORS

3.1 Denel is currently led by a Board, which comprises of 14 directors (12 non-executive and two executive directors). All non-executive directors were appointed during April and May 2018 for a three-year period.

3.2 The following are Denel's board members:

3.2.1 **Ms Monhla Wilma Hlahla:** the Chairperson, with experience and leadership skills in the mining and aviation sectors, development and trade finance and investment management;

3.2.2 **Ms Gloria Tomatoe Serohe:** has an extensive experience in finance and business leadership;

3.2.3 **Ms Mantsu Kabelo Lehloenya:** a chartered accountant with skills in budgeting, a chartered accountant with experience in business strategy, risk management, finance and auditing;

- 3.2.4 **Mr Thamsanqa Harold Magazi:** has experience in business strategy development and implementation, operations, human capital, sales leadership and stakeholder management;
- 3.2.5 **Dr Hannelie Nel:** an engineer with industry knowledge, technical and business leadership;
- 3.2.6 **General Sphiwe Nyanda (rtd):** a former Chief of the South African National Defence Force with industry and technical knowledge as well as business leadership;
- 3.2.7 **Lieutenant General Temba Templeton Matanzima (rtd):** a former general of the South African National Defence Force with industry and technical knowledge as well as business leadership;
- 3.2.8 **Mr Mandla Martin Mnisi:** an attorney with business leadership experience;
- 3.2.9 **Ms Nonzukiso Siyotula:** a chartered accountant who is business leader in the financial services and investment sectors;
- 3.2.10 **Ms Susan Rosemary Rabkin:** has industry experience and technical knowledge;



3.2.11 **Dr Sibusiso Patrick Sibisi:** a scientist with industry knowledge as well as technical, business strategy development and business leadership;

3.2.12 **Mr Mahomed Talib Sadik:** was appointed in August 2020 as a Group Chief Executive Officer ("Group CEO") (Interim) (following the resignation of the Mr D Tu Doit). He is a chartered accountant with experience in the international defence industry, business strategy, financial management, leadership skills, strategic planning and implementation, business management and negotiation skills; and

3.2.13 **Ms Carmen Lee-Ann Le Grange:** appointed Group Chief Financial Officer ("Group CFO") in September 2019. She is a Chartered Accountant, experienced in finance, business strategy, audit, governance, risk and compliance, and management.

3.2.14 Zwelakhe Ntshepe (GCEO), Madododwa Mhlwana. Ntshepe resigned Mhlwana was disciplined and dismissed. Du Toit succeeded Ntshepe; Le Grange succeeded Mhlwana. Sadik is acting GCEO.

3.3 At the time of the appointment of the Board, Mr Zwelakhe Ntshepe was the Group Chief Executive Officer and Mr Madododwa Mhlwana was the Group Chief Financial Officer were the Executive Officer. Mr Ntshepe resigned from the



employ of Denel in May 2018 and was replaced by Mr Danie Du Toit in January 2019. Mr Mhlwana was dismissed from employment in November 2018 following a disciplinary hearing in which he was charged for his involvement in the conclusion of an onerous contract and irregular awarding of a bursary (these matters are mentioned herein below)

3.4 The Board is accountable to the Shareholder for strategic, commercial and operational performance against targets which are outlined in the Corporate Plan and Shareholder's Compact.

3.5 The duties of the Board include among others:

3.5.1 directing and providing oversight in the business affairs of Denel;

3.5.2 setting and monitoring the implementation of the strategic direction of Denel;

3.5.3 assuming ultimate accountability and responsibility for the performance and affairs of the Company.

3.5.4 balancing the interests of the stakeholders and promoting Denel's economic, social, governance and environmental sustainability;

3.5.5 ensuring that Denel complies with all applicable regulatory and legislative requirements within its governance framework; and

3.5.6 serving as the focal point and custodian of corporate governance in Denel.

4. The next governance structure at denel is the executive committee which comprises of the Group CEO, Group CFO, Group Chief Operating Officer (Group COO) and Group Human Resources and Transformation Officer.

#### 5. STATE IN WHICH THE BOARD FOUND DENEL

5.1 When the Board was appointed in April 2018, its focus has been on addressing the crisis mode, which persisted in Denel, through primarily:

5.1.1 undertaking root cause analyses of Denel's business decline and liquidity crisis;

5.1.2 investigating allegations of fraud and mismanagement;

5.1.3 taking control of the business environment through appointment of a strong and capable executive leadership team to turn-around the business; and

5.1.4 establishing an enabling and ethical based corporate governance framework in line with Public Finance Management Act, Companies Act and King IV Codes of Practice.

5.2 In addition, the Board prioritised the following PFMA related deliverables:

5.2.1 oversight on external audit process for the 2018 financial year end, including managing a change of external auditors to the Auditor General;

5.2.2 revising of the 2018-19 Corporate Plan and Shareholder Compact inherited from the previous board, and

5.2.3 determining immediate liquidity relief to resume payment of salaries etc.,

### KEY LEARNINGS AND OBSERVATIONS

5.3 The Board's first days in office coincided with sustained negative media coverage of the Company's business dealings, allegations of fraud and corruption, mismanagement and wilful disregard of corporate governance. I attach as annexure "**MH1**" copies of some of the print media reports of allegations about Denel.

5.4 With regard to governance and operations, when the Board started at Denel it found that, in the main, there was:

5.4.1 poor governance practices and poor financial management;

5.4.2 no enforcement of the framework of governance which was robust and appropriate to the environment. For an example, notwithstanding the irregular expenditure reported as incurred during the 2017/2018 financial year, there was no record of consequential management for those responsible;

5.4.3 lack of compliance with the relevant regulatory and governance framework as well as the policies applicable at the time. An example of this was the establishment of Denel Asia which was, I understand, formed without following the statutory requirements.

5.4.4 the minutes of meetings for governance structures including those of the Board and its Committees and general company records were not captured and / or were inadequate and / or not retained;

5.4.5 misaligned stakeholder environment which resulted in among other things, poor relationship between Denel and its key stakeholders like customers (local and international), the banks, labour and National Treasury;

- 5.4.6 poor programme execution which to a large extent caused by poor contract management, lack of funds for Research and Development as well as challenges with working capital;
- 5.4.7 erosion of capability base and a declining technology access;
- 5.4.8 limited market access and a declining order book;
- 5.4.9 unsustainable cost base, severely constrained liquidity and high debt;
- 5.4.10 unfocused and fragmented operations structure;
- 5.4.11 an employee culture of fear and intimidation throughout Denel Corporate Offices and demoralised employees with trade unions taking Denel to court for its failure to pay full salaries;
- 5.4.12 the trade unions were dissatisfied with Denel due to the allegations of mismanagement and corruption;
- 5.4.13 angry suppliers due to non-payment of their overdue invoices and threats from disgruntled customers to impose penalties due to Denel's failure to execute and deliver on contracts; and



5.5 In as far as the financial status is concerned, the Board found that:

5.5.1 Denel had cash flow challenges and was in liquidity crisis. Consequently, the banks and the note holders were withholding support to Denel; and

5.5.2 there was very poor representation of the financial status of the Company.

5.6 Due to the above findings, a disclaimer opinion was reported by the external auditors on the 2017/18 and 2018/19 financial statements. In their report the external auditors cited issues relating to, *inter alia*, irregular expenditure, fruitless and wasteful expenditure as the basis for their disclaimer opinion.

5.7 The following investigations preceded the appointment of the current board and produced reports as follows –

5.7.1 Dentons South Africa. Dentons SA issued a “*Draft Report in respect of the investigation into the Acquisition of Denel Vehicle Systems SOC Ltd (previously known as Land Systems South Africa) instituted by the board of Denel SOC Ltd*”, dated 20 January 2016 (the “Dentons Report”). The report deals with the acquisition of Land Systems South Africa (LSSA) by Denel. The updated report is dated 18 October 2020 and is yet to serve before and be considered by the Audit Committee of the Board before it is presented to the Board.

5.7.2 Ngidi Business Advisory. Ngidi issued a report *"Independent Review of the process followed in concluding the Memorandum of Agreement between Denel SOC Ltd and VR Laser Services (Pty) Ltd"*, dated April 2018 (the "Ngidi Report"). The purpose of the investigation was initially to review all the contracts between Denel and VR Laser for the period of three years ending in August 2016, and to establish whether the allegations of state capture are substantiated or not. This scope was later changed to only providing an independent review of the process followed in concluding a Memorandum of Understanding between Denel and VR Laser. Ngidi have refused to take further instructions from Denel to finalise the report and to furnish Denel with the annexures referred to in the draft report.

5.8 The Board expects that the investigations that it has and will still commission will assist the Board identify the causes for the conditions it found at Denel. This is an ongoing process.

## 6. WORK DONE BY THE BOARD TO DATE

6.1 Upon taking over in April 2018, the most significant and immediate steps the Board undertook to stabilise the Company included the following:

- 6.1.1 visits to all the various subsidiaries and divisions of Denel, engagement with employees, and meeting with the unions and management to create a positive environment as it seemed that the previous climate in the Company was based on fear and intimidation of employees;
- 6.1.2 reviewed the Board committees and appointment of the Committee Chairs; with consequent review and update of all Committee Terms of Reference for relevance, applicability and focus of purpose and output;
- 6.1.3 a review and update of the Board Charter, maintaining independence from executive management to ensure effective oversight as a Board;
- 6.1.4 engagement with financial stakeholders such as AGSA, the Johannesburg Stock Exchange (Pty) Ltd and the banking community to restore confidence in Denel;
- 6.1.5 began the journey to instil an ethical culture and ensuring governance, accountability and transparency at all levels;
- 6.1.6 initiating measures to create an environment of openness, transparency and trust amongst employees and stakeholders with continued and sustained engagement;

- 6.1.7 development of a focussed and commanding company strategy and turnaround plan that includes identification of core and non-core business and assets, and a drive to exit from loss-making operations and contracts;
- 6.1.8 appointment of a Group CEO and subsequent appointments of the Group Executive team which comprised of the Group Chief Operating Officer, Group Chief Human Resources Officer and Group CFO;
- 6.1.9 commissioning of forensic investigations through the Board Audit Committee to ascertain the root-causes and identify the responsible persons for the mismanagement and alleged fraud, corruption and theft committed.
- 6.1.10 initiation of disciplinary proceedings against the executives implicated in wrong doing. These resulted in the dismissals of the previous GCFO and the previous GE: Strategy. Other executives who were implicated in wrong doing and mismanagement resigned before the disciplinary proceedings.
- 6.1.11 request for an internal investigation of supply chain processes and procurement practices to determine the reasons for lack of governance and to address it accordingly;

6.1.12 shut down of the in-house internal audit function and subsequently outsourcing the internal audit;

6.1.13 review of the Supply Chain Management ("SCM") Policy and addressing the regulatory compliance in respect of the single source and sole suppliers; and

6.1.14 review of the Company's Delegation of Authority and amendment thereof by removing the powers that were granted to the previous Central Executive Committee, now replaced by an Executive Committee comprising the Group CEO, Group CFO, Group Executive HR and Transformation and Chief Operating Officer. The Delegation of Authority now ensures transparency and identified responsibility throughout the organogram and supply chain.

6.2 With regard to addressing the issues raised by the Auditor-General South Africa ("AGSA") which resulted in the disclaimer opinion, Denel has:

6.2.1 strengthened its finance function with external resources to ensure compliance with IFRS. Part of the output for this external resource was to bridge the skills gap on IFRS reporting;



- 6.2.2 reviewed major financial processes like revenue, debtors and creditors within the Denel Group. In instances where there have been improper systems, a system walkthrough has been performed to identify deficiencies so that these were corrected either by a complete replacement or adjustment;
- 6.2.3 from the list of issues raised by the AGSA as the basis for their disclaimer opinion, addressed issues relating to quantifying prior period errors, Post-Retirement benefit fund, site restoration provision, property, plant and equipment, operating leases, financial risk management disclosure and investment in subsidiaries;
- 6.2.4 together with the lenders group, Denel has further stress-tested liquidity for the next 5 years, including interrogating the monthly cash flows, forecasts and cash management, and have simultaneously been looking at how we strengthen and restructure our balance sheet through alternative funding solutions;
- 6.2.5 internally, we commenced a finance effectiveness exercise with the aim of building a credible and strategically-focused finance function to enable consequence management, building skills, capacity and capability;



6.2.6 initiated a project to improve the integrity of the numbers and our financial reporting by working to ensure our financial systems provide us with reliable and complete information to improve the audit results.

6.2.7 furthermore, whilst Denel is still facing challenges with regard to resolving issues of disclaimer raised by the Denel External Auditors, AGSA, based on the initiatives of the Board and Management the AGSA has noted some improvement with the Denel processes which include improved quality on developing position papers addressing complex accounting matters, identification of irregular, fruitless and wasteful expenditures; SCM processes as less non-compliance issues were identified as compared to the previous year as well as on the culture of discipline, accountability and commitment to improve audit outcomes.

6.3 As a result of the above-mentioned interventions by the Board, Denel:

6.3.1 has a stable executive committee;

6.3.2 is receiving a continued strong support from local customers in the South African National Defence Force and Armscor;

6.3.3 exited onerous contracts which unfortunately costed Denel approximately R250 million – contract with Democratic Republic of Congo, Ministry of Defence; contract with Chad; contract with Venezuela;

6.3.4 is pursuing a winnable order pipeline of more than R30bn (thirty billion Rand) over the next 24 (twenty four) months, which will provide a solid base for the continued implementation of the financial turnaround plan and grow the business;

6.3.5 is maintaining its strong brand within the global defence sectors and there is broad recognition for the quality of Denel's products;

6.3.6 has received a number of expressions of interest from local and international companies who wish to partner or acquire parts of the business. Proper governance, including legislative compliance, will be adhered to in evaluating these interests; and

6.4 Furthermore, based on the initiatives of the Board and Management to address the issues of disclaimer raised by the Denel External Auditors, the AGSA has noted some improvement with the Denel processes which include improved quality on developing position papers addressing complex accounting matters, identification of irregular, fruitless and wasteful expenditures; SCM processes as less non-compliance issues were identified as compared to the previous year as

well as on the culture of discipline, accountability and commitment to improve audit outcomes.

6.5 The Board remain focus on ensuring that Denel:

6.5.1 continue to subscribes to the principles of ethical leadership and corporate governance as prescribed by the King IV Report on Corporate Governance for South Africa 2016. King IV places accountability on the Board to attain the governance outcomes of an ethical culture, good performance and effective control within the organization and legitimacy with stakeholders. As such, the King IV code provides a formal and recognized approach that may be employed by companies to measure their performance against the listed governance principles. To this end, the Denel aims to employ these principles as an annual documented measure of the company's ethical leadership and corporate governance;

6.5.2 will develop a foundational blueprint of its current performance against the principles; employing such to identify its current status, risks and opportunities for improvement and future metrics for sustainable ethical practice. The Denel will actively apply this programme to develop and infuse an ethical corporate culture in the Company;

- 6.5.3 pursue a governance turn-around framework and plan which is supported and based on the principles of King IV;
- 6.5.4 implement metrics and controls to ensure transparency and effective management of supply chain processes;
- 6.5.5 implement integrated group wide Business systems and performance management systems;
- 6.5.6 return the Business to profitability by focusing on the three pillars of the turnaround Strategy; that is trade, strategic actions and recapitalization;
- 6.5.7 is repositioned as a significant and competitive technological asset that serves South Africa in its technical expertise, research and development and state-of-the-art defence technology. This will include increasing collaboration with Universities and research institutes;
- 6.5.8 continue overseeing the strategy implementation and ensuring that implementation thereof is compliant with the regulatory framework;
- 6.5.9 create and instil a performance culture and commercial mindset; and

6.5.10 becomes an employer of choice, high-performing operations, reliable international partner, reputable supplier.

6.6 The Board is fully committed to the following strategic objectives as the company is stabilising:

6.6.1 Denel's financial sustainability and growth;

6.6.2 productivity and operational efficiency improvements;

6.6.3 job retention and creation, skills development, localisation, empowerment and transformation opportunities;

6.6.4 diversity and black economic empowerment; and

6.6.5 strategies to drive economic growth locally, regionally and on the continent.

## **7. THE INVESTIGATIONS COMMISSIONED BY THE BOARD**

7.1 Since taking office, the Board, through the Audit Committee, has commissioned a number of investigations relating to some of the transactions concluded by Denel in the prior years 2012 - 2017, where corruption and mismanagement was

suspected or alleged. All the investigated transactions are within the scope of the Commission and the following reports on completed investigations have been submitted to the investigators of the Commission.

7.2 The investigations are conducted under instruction of the Audit Committee. The reports resulting therefrom first serve before the Audit Committee which is responsible to process them, present them to the Board and to monitor compliance with the outcomes thereof and provide oversight. Accordingly, the Audit Committee is best placed to discuss the reports of investigations in detail and I provide only a summary of the investigations and reports in this affidavit.

7.3 Some of the investigations dealt with contracts concluded between Denel and its customers which contain confidentiality provisions. Denel tenders to provide such information as the Commission may require as shall be agreed with the Commission to preserve the commercial and contractual confidentiality of the information in the contracts.

7.4 So far, the following investigations have been instituted and completed:

**BDO PS Advisory (Pty) Ltd**

7.4.1 BDO was appointed to investigate, *inter alia*, "the non-adherence to policies, procedures and legislation by employees of Denel Corporate Office ("DCO"), Denel Land Systems ("DLS"), Land Mobility Technology

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(LMT) Holdings SOC Ltd and Denel Vehicle Systems SOC Ltd (DVS)” and included the establishment of Denel Asia. The investigation included a review of the agreements entered into and payments made to VR Laser by Denel divisions and subsidiaries for the period 1 April 2013 to 20 August 2018.

7.4.2 A copy of the BDO Report dated 9 May 2019 has been provided to the Commission with the affidavit of Mr Talib Sadik.

7.4.3 It is important to mention that before all the suspicious transactions concluded between Denel and VR Laser, which are mentioned herein below, VR Laser had always been one of the suppliers of Denel, in particular to the vehicle business part of Denel.

#### *Findings of the investigation*

7.5 The BDO investigation found, *inter alia*, that:

#### Establishment of Denel Asia

7.5.1 Denel proceeded to register Denel Asia without obtaining all the required ministerial approvals; and

7.5.2 VR Laser directors and shareholders were negotiating and exchanging correspondence with Denel's potential clients about Denel products even before Denel Asia was incorporate.

Procurement contracts concluded between Denel and VR Laser

7.5.3 For the period of 1 April 2013 to 20 August 2018 there were three contracts signed between Denel and VR Laser, which BDO concluded to be irregular. These area –

7.5.3.1 7 (seven) year contract with VR Laser concluded in November 2014 for the production of hulls in the Badger programme for the SANDF; and

7.5.3.2 two single-source Memoranda of Agreements concluded in May and December 2015 with Denel Land Systems ("DLS"), a division of Denel and Denel Vehicle Systems ("DVS"), a 100% Denel owned subsidiary, respectively, which were for a period of 10 years each.

7.6 With regard to Denel Asia, BDO found, *inter alia*, that



7.6.1 a close relationship may have existed between Mr Mantsha, Mr Ntshepe, Mr Essa and Mr Seleke (should he be positively linked to the "Business Man" email address), dating back to at least 2013 and that evidence, indicative of irregularly beneficial dealings (potentially corrupt) between Mr Mantsha, Ntshepe, Mr Essa, Mr Seleke and persons related to the Gupta Family (more specifically Mr Anil Gupta, Mr Tony Gupta and Mr Ajay Gupta) have been found.

7.6.2 further detailed investigations into some of the events referred to in this report will be required before a substantive finding of a corrupt relationship can be advanced. However, in as far as Mr Mantsha is concerned, there are substantive evidence of overseas trips having been taken in the company of Gupta linked family members, and payments for travel and accommodation being made by Gupta linked entities.

7.6.3 there were a substantial number of regulatory and compliance transgressions evident in the process followed by Denel with regards to the attempted incorporation of Denel Asia / India. These transgressions relate to the following:

7.6.3.1 Mr Mantsha, representing the board, and Mr Ntshepe, proceeded with binding Denel to the Denel/VRL Co-operation agreement,

prior to having obtained the board's approval of the appropriate elected business partner for a joint venture in Asia/India.

7.6.3.2 Mr Ntshepe and Mr Mantsha ignored the concerns and non-approval by the Group Exco Committee relevant to the Denel Asia submission made to the committee by Mr Ntshepe on 16 October 2015. The same applied to the concerns and conditional type approval raised by the ARC on 22 October 2015.

7.6.3.3 The board appears not to have been formally updated with all the progressive actions undertaken by Mr Ntshepe, Mr Burger and Mr Mantsha (between the board meeting of 10 September 2015 and 7 December 2015 the board appeared not to have been updated on the process as no board meeting minutes indicating otherwise could be obtained).

7.6.3.4 Although Mr Mantsha and Mr Ntshepe invoked the assumed approval for incorporation of Denel Asia by the Minister in terms of Section 54(3) of the PFMA, Denel also required approval by the Minister of Finance and/or National Treasury. Last-mentioned was never formally granted to Denel.



7.6.3.5 The board failed to act in the best interest of Denel during the special board meeting of 7 December 2015, by allowing the process driven by Mr Mantsha and Mr Ntshepe to proceed, based on the fulfilment of certain conditions. The minutes indicate that the board had sight of the due diligence report of ENSafrica. This report made substantive submissions regarding red flag aspects such as the absence of VRL and VRL Asia's network and marketing footprint in Asia as well as its only recently registered "shelf company" status in Hong Kong, the circumstances surrounding VRL and VRL Asia's shareholders as politically exposed persons, the risks related to the need for registration in Hong Kong jurisdiction, and the like. These risks and red flags were incapable of rectification ex post facto depending on further actions. The board should, in the interest of Denel and due compliance, have instructed the suspension of the process pending further research into the aspects relating to the appropriate JV partner, the proposed business case and the issues surrounding jurisdiction.

7.6.3.6 Mr Essa, Mr Anil Gupta, Mr Tony Gupta and/or Mr Seleke (should he be positively linked to the "Business Man" email address) had a personal interest in and indeed ventured into the Asian military industry sourcing market opportunities and in some instances



even negotiating on behalf of Denel with Industry role players, as far back as 2013. Not only Mr Essa, but also members of the Gupta Family, for example Mr Anil Gupta, approached Indian Military Industry organisations and concluded hidden sub-joint ventures with them. In some of these events, Denel officials were copied in and may have had direct knowledge of the irregularity of Mr Essa's and/or Mr Anil Gupta's involvement in the business and potential business partners of Denel.

7.6.3.7 Although Mr Mantsha and Mr Ntshepe attempted to exploit the assumed approval by the Minister upon expiry of the 30 days by pressing forth with the incorporation of Denel Asia in Hong Kong, National Treasury at no stage provided formal approval of the transaction, but in fact continued to question the elements and rationale of the joint venture via the calling of meetings and formal correspondence. Furthermore, there had been requests from the DPE, subsequent to the PFMA pre-notifications to the Ministers during October 2015, that Denel should not lodge formal applications until middle January 2016. Mr Ntshepe and Mr Mantsha defied this request, by lodging the applications on 11 December 2015, awaiting the expiry of the 30 days in terms of section 54(3) of the PFMA, and then, in what appears to be a strategic ploy, invoked the assumed approval principle in terms of





section 54(3) around 13 January 2016 and proceeded to incorporate Denel Asia in Hong Kong. At this time, it was apparent, that Mr Essa, already during early December 2015, gave instructions to a Hong Kong company to initiate the incorporation of Denel Asia. We could not locate any board minute or resolution that was indicative of Mr Mantsha or Mr Ntshepe having sought the board's approval prior to incorporating Denel Asia (together with the elected partner VRL Asia) in Hong Kong during January 2016.

7.6.4 BDO has recommended the following action, *inter alia*, relating to Denel Asia, opening criminal investigation proceedings against Messrs Ntshepe, Mantsha and Burger and, possible action against board members for the dereliction of their fiduciary duties. Denel has referred the BDO Report to the SAPS and has also sought legal advice.

*Steps taken by the Board based on the findings of the investigations*

7.7 In execution of the recommendations contained in the BDO report, Denel has lodged court papers to review the three contracts between Denel and VR Laser, mentioned above.

7.8 BDO recommended that certain employees of Denel be subjected to disciplinary proceedings based on the role they played in the conclusion of the contracts with VR Laser. All the implicated employees left the employ of Denel. As a result, no disciplinary processes could be initiated based on the BDO report.

7.9 Efforts had been made to deregister Denel Asia by Denel. Denel has been able to obtain the provisional liquidation of Denel Asia by the Hong Kong court.

7.10 At the request of the Anti-Corruption Unit of the South Africa Police Service ("SAPS"), Denel has submitted a statement to the SAPS relating to the relationship between Denel and VR Laser. The statement was prepared based on the findings and recommendations of the BDO report.

### PWC

7.11 PWC was appointed to *"review the request for the loan and extension of the loan by Denel and how the funds were utilised by LMT against policy or acceptable practice and/or legal prescripts and to investigate any uncovered impropriety committed by Denel/LMT employees or third parties"*, and includes, *"the process followed in requesting and granting the loans; the contracts/conditions of the loan; the transfer of the funds from Denel to LMT; the spending of the monies in LMT including beneficiaries and authorizations; any policy or legal prescripts applicable in the appointment or issuing mandates to arrange funding; and all internal and external role players and their roles in the transaction."*

7.12 The report is presently being considered by the Audit Committee.

**ENSafrica Forensics (ENS)**

*Scope of the investigation*

7.13 At the time that the Board was appointed, there were allegations that bursaries were awarded outside of the framework of the Denel Bursary Policy and in an improper way. The Board commissioned an investigation which was conducted by ENS to investigate the allegations.

7.14 The bursaries were awarded to three students, including the son of the former North West province premier, Mr Supra Mahumapelo.

*Findings of the investigation*

7.15 The investigation found that there was a breach of the Denel Bursary Policy and a breach of normal processes in the awarding of these bursaries. The report implicated four Denel former Executives which were members of the governance structure which existed at Denel at the time, called the Central Executive Committee, comprised of the then Group CEO, Group CFO, Group COO and Group Executive: Strategy.

*Steps taken by the Board based on the findings*

7.16 The Board instituted disciplinary action against the implicated individuals, who were still at the employ of Denel at the time, namely, the former GCFO and the previous Group Executive Strategy. The other executives that were implicated in this investigation were the former Group CEO and Group COO, had resigned before the disciplinary hearings were initiated.

7.17 Furthermore, the Board has instituted civil proceedings against the four implicated former Denel Executives.

7.18 I understand that the South African Police Services are investigating this matter further, as they have been requesting statements from some Denel employees who would have been normally involved in the process of awarding bursaries as well as from the Chairperson of the Audit Committee.

7.19 This bursary matter is also part of the scope of investigations of the Special Investigations Unit ("SIU") Recently, we have been informed by the SIU that a settlement proposal by Denga Attorneys on behalf of Mr Oratile Mahumapelo to reimburse Denel for the Pilot Bursary payments. In terms of the proposed settlement Mr Mahumapelo will pay an amount of R 559 990.65 together with interest in equal instalments over a period of 36 months.

**BOWMANS ATTORNEYS**

7.20 The Board found that Denel, through the former Group CEO had entered into a contract to supply Casspir military vehicles for one of the Denel customers in the continent. This contract was loss making and onerous to Denel and is one of the contracts that the Board had to exit.

7.21 Based on the contract Denel received USD7 199 977 as a prepayment. Part of this money was paid to Sinclair & Wilde Ltd, a company with offices in Hong Kong and New York, as the alleged Technical Advisor, VR Laser and ENN7 Pty Ltd and the rest was used by Denel for its operations. None of this money was used towards execution of the contract.

*Scope of the investigation*

7.22 The Board commissioned an investigation of the circumstances that led to the conclusion of this contract and the use of the monies received by Denel from the customer as prepayment.

7.23 In view of Ntshepe and Mhlwana being solely responsible for the conclusion of the contract signed on 21 September 2017 and the subsequent prejudice suffered by Denel, it was recommended that they are held personally liable for

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the losses incurred by Denel and that civil recovery procedures be instituted against them to recover the losses in terms of the Companies Act and PFMA.

*Steps taken by the Board based on the findings*

7.24 Based on the recommendations of this report, in September 2019 a statement was filed with the police requesting further investigation of the circumstances around the conclusion of this contract and in terms of the section 34 of the Prevention and Combating of Corrupt Activities Act, 2004.

7.25 Furthermore, 4 (four) employees who were implicated in the irregular payments made relating to this contract and who are still at the employ of Denel were subjected to disciplinary proceedings. The former Group CEO who was also implicated in the conclusion of the contract and the subsequent irregular payments made left Denel before the investigations relating to this matter were finalised.

7.26 Instructions have been given to attorneys to institute civil proceedings to recover any losses that may have incurred by Denel as a result of this contract.

**FUNDUDZI FORENSIC SERVICES (PTY) LTD**



7.27 Fundudzi was appointed to conduct an "Investigation into allegations of irregularities in the appointment of ENNE7 (Pty) Ltd to provide services to Denel". The investigation concerned the appointment of ENNE7 as a sole source supplier or OEM to supply certain Casspir chassis vehicles to Denel, both of which it was not. The Casspir chassis vehicles were manufactured by OEMs Powerstar and Sinotrak.

7.28 ENNE7 was paid R69 616 098.00 in the period 1 January 2014 to 3 November 2016 for the supply of Powerstar Casspir chassis vehicles, and R85 267 044.90 in the period 1 January 2014 to 20 March 2018 for the supply of Sinotrak Casspir chassis vehicles.

7.29 The investigation concluded that ENNE7 may have been registered for the sole purpose to be a BBBEE front for the companies Powerstar and Sinotrak, both OEMs, for the provision of Casspir chassis vehicles to Denel and that Denel officials colluded with ENNE7 to ensure that it obtained the contracts.

7.30 The investigation found that the amount of R69 616 098.00 paid to ENNE7 constitutes irregular and fruitless and wasteful expenditure.

7.31 Fundudzi has recommended -

7.31.1 disciplinary action against 4 employees and criminal action against 11 people, including employees for collusion and/or corruption;

7.31.2 that Denel consider a civil claim to recover financial loss that may have been suffered as a result of the appointment of ENNE7.

7.32 In its report discussing the ENNE7 transaction, BDO has also recommended that Denel should consider to refer the appointment and payment of ENNE7 to the SAPS and/or SIU for further investigation.

## **8. FURTHER INVESTIGATIONS AND OTHER INTERVENTIONS**

8.1 As our terms as Board progresses, we have realised there are other matters that dictate that investigations be initiated and as such, there are investigations underway which are overseen by the Audit Committee and these include investigations into the Denel transactions involving the following entities:

8.1.1 Regiments Capital (Pty) Ltd;

8.1.2 Fireblade Aviation (Pty) Ltd;

8.2 The above investigations are underway and far advanced. Once the investigations are concluded, the Board will receive investigation reports as well

as remedial actions proposed by the investigators and the Audit Committee for implementation. When these reports are finalised, they will be made available to the Commission if required.

8.3 Furthermore, the Audit Committee intends to initiate more investigations, in particular to deal to Supply Chain Management processes, irregular expenditure as well as fruitless and wasteful expenditure and to initiate recovery processes following such investigations.

8.4 In addition to the above, other interventions which are within the ambit of the Board in its effort to address irregularities and mismanagement at Denel include:

8.5 Requesting a high-level lifestyle audit of the Denel employees which will necessitate further investigations should there be any red flags; Not yet done. Process under way to appoint a service provider.

8.6 Review of irregular expenditure; and

8.7 Assessing and addressing recoverability of irregular expenditure fruitless and wasteful expenditure.

## 9. SPECIAL INVESTIGATIONS UNIT

- 9.1 The Board delegated the management of the relationship and engagements with the SIU, to the Denel Audit committee, and have fully cooperated with and facilitated collaboration with the SIU, SAPS, as well as with the Commission to ensure that persons implicated in wrongdoing are identified and held accountable.
- 9.2 The SIU proclamation as amended issued and published by the Presidency referring to the allegations made in respect of the affairs of Denel and its subsidiaries to the SIU for investigation will also assist the Board in advancing the efforts of the Board to deal with corruption, mismanagement and malfeasance which prevailed prior to the appointment of the Board.
- 9.3 The allegations covered by the investigation of the SIU relate to the procurement of, and / or contracting and payments made in the:
- 9.3.1 IT security assessment services, in particular with regard to the transaction between Denel and an entity called Telspace;
  - 9.3.2 Legal services that were provided by Khampha Inc;
  - 9.3.3 Steel fabrication services and steel fabricated goods from VR Laser; and



#### 9.3.4 Awarding of bursaries by Denel.

9.4 The amendment to the Proclamation which was published in October 2019 extended the scope of the SUI to cover unlawful, irregular or unapproved measures or practices in relation to the misappropriation of proprietary and intellectual property rights in Denel's Air-to-Air missiles, Stand-off Weapons, Surface Target Missiles, Air Defence and Unmanned Aerial Vehicle systems.

### 10. HOEFYSTER PROJECT

10.1 I have been requested by the Commission to state what I know about the Hoefyster project. What I state below is based on reports to the Board.

10.2 The project is a classified DoD strategic project that needs to be handled with the necessary confidentiality and sensitivity as contracted. As a result, any discussion of it by Denel is constrained by and must be mindful of the requirement not to breach the classified nature of the project.

10.3 For purposes of this affidavit, I do not discuss the technical aspects of the project, both because of the need to preserve the confidentiality of commercial and defence information and because the technical aspects of the project are



operational matters. Notwithstanding, Denel will confidentially provide any specific information that the Commission requires, subject to the necessary approvals authorizing disclosure being obtained.

10.4 The project concerns a new generation armoured vehicle that was contracted in 2007, to be developed (Development Contract: Phase 1) and to be manufactured (Production Contract: Phase 2) by Denel Land Systems for the South African National Defence Force (SANDF). Phase 2 is currently an open Order and currently on hold due to outstanding approval of a Phase 1 milestone.

10.5 The development contract was to be completed in 2012 but has been delayed due to a number of factors, including, liquidity challenges of Denel, engineering complexity, state capture related issues, loss of critical skills, slow progress and non-performance related issues, protracted decision making, poor contracting model, inadequate risk provisions, etc. Recently, the COVID-19 crisis has contributed to the delay. The delay and on-going rolling-over of circa R2bn has impacted the DoD's strategic defence budget and its ability to secure additional funds from National Treasury. Current scenario based estimates forecast Development completion in December 2022.

10.6 DLS received advance payments from Armscor and has issued corporate and bank guarantees of R600 million as surety against these amounts as required



by the contract between the parties dated 19 August 2016 in which Denel undertook to return the money to a Hoefyster pre-payment ring-fenced account by 31 July 2020. The guarantees must be in place until the final delivery on the program. As Phase 2 of this programme has now been delayed for a number of years, Denel has been unable to generate the funds from this programme to either reduce this obligation or alternatively to return the money to the ring-fenced account. Denel is considering to request Armscor that the payment terms be extended for a period of 24 months whilst clarity and consensus is sought on the future of the programme between the various stakeholders that will enable a payment plan to be put in place that aligns to receipts and deliveries of the programme.

10.7 VR-Laser Services was appointed to provide services of cutting and bending of armoured steel for the hulls and the turrets for this project but was later deemed to have been irregularly contracted. The company was alleged to be implicated in the “state capture” related issues. Due legal processes were instituted, related contracts were terminated. Investigations were initiated by the Denel BoD and the management of Denel and these await results from due court processes.

10.8 Denel acquired both LMT and DVS to bolster its landward capabilities but to also mitigate against the aforementioned disturbance. Other companies have also been identified that can provide the services that VR-Laser was contracted to provide.

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10.9 The legal action with VR-Laser has raised certain risks for the project relating to IP, data packs, documentation related to the build history of the system that could not be secured pending the outcome of the legal action with VR-Laser. Further risks that are constantly monitored include - working capital; retention of skilled resources; declining defence budgets; outstanding creditors; inadequate funding or reprioritization. There is also the risk of penalties as a result of delays in the completion of the project.

## **11. CONCLUSION**

11.1 Whilst we have achieved certain key milestones to date, much work lies ahead to restore trust and to rebuild Denel into a profitable technology leader and a critical enabler of the South African defence industry.

11.2 Denel's reputation has been negatively impacted in some of its key markets, and due to among others, allegations of corruption and mismanagement as found by the above-mentioned investigations by the Board.

11.3 Unfortunately, Denel continues to make losses due to significant declines in revenues, and a deepening liquidity crisis also worsened by COVID-19's negative impact on productivity. This has exacerbated its financial position and liquidity situation.

11.4 Over the past months, management and staff morale has declined materially due to non-payment of full salaries by Denel. If this situation continues for much longer, all the positive measures implemented by the Board, management and staff are likely to be lost.

11.5 The Board remains hopeful however, that the ongoing engagements with Denel's shareholder and the DoD will lead to critical intervention and relief, so that Denel can continue on its path to recovery.

**DATED AND SIGNED AT ROSEBANK ON THIS 21<sup>ST</sup> DAY OF OCTOBER 2020.**

  
**DEPONENT**

I certify that this affidavit was signed and sworn to before me at ROSEBANK on this the 21<sup>st</sup> day of October 2020, by the deponent who acknowledged that she knows and understands the contents of this affidavit, that to the best of her knowledge and belief it is true and correct, that she has no objection to taking the prescribed oath and that she considers the prescribed oath to be binding on her conscience.

423499187  
 [Signature]

**COMMISSIONER OF OATHS**

FULL NAMES:

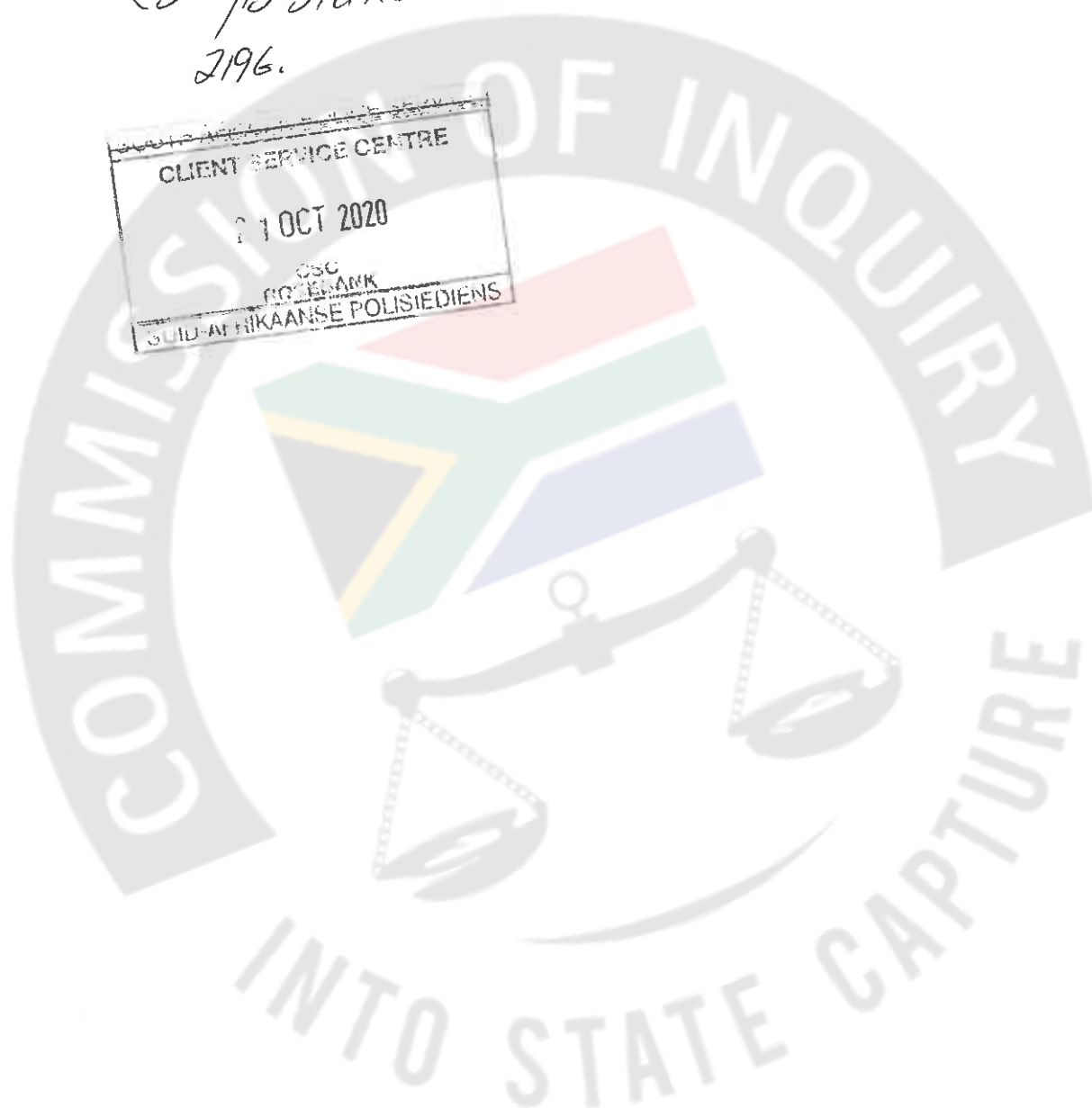
Capitla Mavle Kviema

CAPACITY:

01/STABLE

AREA:

CSC / 15 STURDGE AVE, ROEBURK  
 2196.



[Signature]

"MH1"

Sunday Times - 2 March 2018

## Denel chairman Daniel Mantsha resigns

02 March 2018 - 18:14 BY KYLE COWAN



Daniel Mantsha, appointed as chairman in July 2015, has been implicated in allegations of state capture at Denel, and his tenure has been marked by financial troubles at the state-owned entity.

*Image: Supplied by the Denel Group*

The board chairman of state-owned arms manufacturer Denel, Daniel Mantsha, has resigned.

Director-general of public enterprises Mogokare Richard Seleke confirmed Mantsha's resignation on Friday afternoon.

"The CEO of Denel [Zwelakhe Ntshepe] has confirmed that its chairperson has resigned. The letter is en route to the department," Seleke said. "Minister Pravin Gordhan has convened an urgent meeting on Monday with the outgoing chairperson and CEO of Denel."

Mantsha, appointed as chairman in July 2015, has been implicated in allegations of state capture at Denel, and his tenure has been marked by financial troubles at the state-owned entity.

In September 2017, the Organisation for Undoing Tax Abuse (Outa) laid charges of corruption against Mantsha for his role in the Denel Asia project, an ill-fated joint venture between Denel and Gupta-owned companies to supply arms to the Asian market.

"Mantsha's role was to try to sell this joint venture to the National Treasury and Ministry of Public Enterprises. They claimed the joint venture had the potential to do business in Asia to the value of \$9.2-billion over five years," Outa's Ben Theron said at the time.

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**“MH1”**

TimesLIVE understands that the process of formulating a new board has been underway since January following comments made by former public enterprises minister Lynne Brown. She stated that new names had been submitted for vetting.

On Friday, the Department of Public enterprises refused to be drawn on questions of where the process to appoint a new board stood.

In December it emerged that Denel was facing a liquidity crunch and doubts rose over its ability to pay salaries.

While speaking to the portfolio committee on public enterprises in Parliament late in January, Ntshepe said Denel's expenditure was about R600-million a month for payments to suppliers, loans from banks and salaries.





“MH1”

Sowetan – 9 April 2018

## Gordhan gunning for Denel

BY GENEVIEVE QUINTAL - 09 April 2018 - 12:02



Public Enterprise minister Pravin Gordhan.  
Image: GALLO IMAGES

Public Enterprises Minister Pravin Gordhan is expected to make key announcements with regards to cash-strapped state-owned arms manufacturer Denel.

Gordhan was meeting with Denel's board of directors on Monday.

Denel has been experiencing severe liquidity problems, which at one point resulted in the delayed payment of workers' salaries. The government had to issue the company with an emergency loan guarantee of R580-million to ensure that it paid suppliers and its 4 000 staff.

The company has since been working on a plan with the Department of Public Enterprises and the Treasury to address its issues.

Last month, a few days after Gordhan was appointed public enterprises minister, Denel board chairman Daniel Mantsha resigned. Mantsha has been implicated in allegations of state capture. No replacement has been announced yet.

In his first state of the nation address, following former president Jacob Zuma's resignation, President Cyril Ramaphosa spoke on reconfiguring the way state-owned enterprises operated and how their boards were appointed.

A handwritten signature in black ink, appearing to be "DJP" followed by a flourish.

**“MH1”**

Shortly after that, in his first reshuffle of the Cabinet he had inherited from Zuma, Ramaphosa axed public enterprises minister Lynne Brown and replaced her with Gordhan.

Brown as well as her predecessor Malusi Gigaba have been accused of peppering the boards of the country's state-owned enterprises with Gupta associates.

Following his axing as finance minister last year, Gordhan stayed on as an MP in Parliament and joined the portfolio committee on public enterprises. He was a formidable force in the portfolio committee as he doggedly grilled those who appeared at the Eskom inquiry about their role in allegations of state capture at the power utility.

During his time as finance minister, Gordhan had also locked heads with Denel. This was after Treasury had refused to give the SOE permission to go ahead with its Denel Asia project. Denel Asia was a joint venture between Denel and VR Laser Asia, owned by Gupta family associate Salim Essa.

Denel submitted a formal application for approval for Denel Asia under the Public Finance Management Act in December 2015. When it did not get a response within 30 days, it went ahead and registered the joint venture company in Hong Kong in January 2016. This resulted in a standoff between Denel's board and Gordhan.

Denel eventually lodged an application with the High Court in Pretoria in a bid to get a thumbs-up for the venture, despite Treasury refusing to sign off on it. The application was eventually withdrawn.

Last year, the Organisation for Undoing Tax Abuse (Outa) laid charges of corruption against Mantsha for his role in the Denel Asia venture.

"MH1"

***Business Day – 17 April 2018*****Denel denies dodgy dealings in bursary for Supra Mahumapelo's son**

17 April 2018 - 10:17 BY GENEVIEVE QUINTAL



Supra Mahumapelo

*Image: Veli Nhlapo/Sowetan*

State-owned arms manufacturer Denel has denied that the R1.1-million bursary given to the son of North West premier Supra Mahumapelo was done in contravention of the ailing company's policy.

Denel said bursaries were awarded to three students, of which Oarabile Mahumapelo was one, based on the same criteria.

"The award was made in compliance with Denel's relevant policy after a full disclosure and presentation to the board of directors of Denel which was noted without any objection," Denel said in a statement on Tuesday.

Rapport newspaper reported at the weekend that the state-owned armaments company, forced recently to borrow money to pay salaries, had "bent the rules" to award the bursary to Mahumapelo. According to the newspaper Denel CEO Zwelakhe Ntshepe personally signed the contract.

Public Enterprises Minister Pravin Gordhan described the allegations as serious and asked the newly appointed Denel board to institute an internal investigation.

Last week, Gordhan announced the appointment of an entirely new board for Denel. In March, a few days after Gordhan was appointed public enterprises minister, Denel board chairman Daniel Mantsha resigned. Mantsha has been implicated in allegations of state capture.

- BusinessLIVE

"MH1"

BizNews - 10 April 2018

# Pravin's Picks: Meet the new board members tasked with resuscitating Denel

10th April 2018 by Editor

*JOHANNESBURG — The demise of Denel under the Zuptoid era is just breathtaking. As the press release from Public Enterprises Minister Pravin Gordhan outlines below, between 2010-2016 the arms company experienced an average growth of 15% per annum, with revenue topping over R8bn in 2016. But then the Guptas and corrupt government cronies got involved, and by December 2017 it needed an emergency government bailout of R580m to pay its 4 000 employees and suppliers. The fall from grace has been swift and spectacular. Now a new board is tasked with performing emergency CPR on the business. The details of who this new board consists of are listed below. – Gareth van Zyl*

*Media Statement by the Minister of Public Enterprises, Mr Pravin Gordhan, MP*

Appointment of a new Interim Board of Directors for Denel SOC

**PRETORIA** – In the 2018 State of the Nation Address (SONA), President Cyril Ramaphosa called for immediate action in a number of State Owned Companies that are experiencing "severe" governance and financial problems.

The President made the commitment that: "*We will intervene decisively to stabilize and revitalise state owned enterprises. The recent action we have taken at Eskom to strengthen governance, root out corruption and restore its financial position is just the beginning...*"

Finance Minister Pravin Gordhan speaks during a Bloomberg Television interview in this file photo.

With the 2018 SONA, President Ramaphosa thus enjoins us to—

- strengthen governance, root out corruption and restore the financial position of SOC's;
- ensure state owned companies fulfil their economic and developmental mandates;
- address the challenges at SOC's which are structural – they do not have a sufficient revenue stream to fund their operational costs;
- review the funding models of SOC's in consultation with stakeholders – they cannot borrow their way out of their financial difficulties;
- change the way that boards are appointed so that people with appropriate expertise, experience and integrity serve in these vital positions; and
- remove board members from any role in procurement, and work with the Auditor-General to strengthen external audit processes.



“MH1”

A number of SOC's have large government guarantees and their long-term viability is a concern. Capital markets have reduced lending to some because of serious governance concerns and the lack of credible reforms to boards and executive management.

The challenge in South Africa is that the State as shareholder in SOC's, has never fully applied the levers at its disposal in terms of the Companies Act, to hold directors of SOC boards fully liable for their actions.

### **Denel SOC**

For government Denel is a strategic national asset – for national security *and* for technology- and economic development. Denel alone constitutes over 45% to the local defence industry and sources approximately 70% of input from local suppliers.



Today I have started the process of consultation with Denel's key stakeholders. I met with organised labour and a variety of Denel's suppliers to hear their suggestions on how to correct what is wrong. Between 2010 and 2016 Denel experienced phenomenal growth, averaging over 15% per annum, with revenue growing from just over R3 billion to over R8 billion in 2016. The company was winning significant export contracts and the order book peaked at R30 billion.

The capital market was also responsive and ready to support the growth as evidenced by the over-subscription on Denel commercial paper in the 2015/16 fiscal year and AAA Fitch Ratings.

This positive storyline has deteriorated significantly because of bad decisions. The Denel Asia saga in 2016 deeply tarnished the Denel brand. The insistence by the previous Board to proceed with the venture, despite evidence showing it was a bad strategic move. Denel now faces the real threat of collapse unless far-reaching decisions are taken urgently.

I have decided to appoint an interim Board of directors to steer Denel onto a new path. The new interim Board will be required to move with speed on some of the areas that need urgent attention. The new Members of the interim Board of Directors are:

- **Ms Monhla Hlahla – Chairperson of the board**

*Ms Hlahla is a former CEO of ACSA. She has been Non-executive at Exxaro Resources Ltd. She has spent the larger part of her career in the infrastructure sector, starting in 1994 at the Development Bank of Southern Africa, which later seconded her to the municipal infrastructure investment unit.*

"MH1"

*She was then appointed as Non-Executive Chair of Johannesburg Water utility and later as Managing Director of Airports Company South Africa.*

- **Mr Zoli Kunene**

*Founded Kunene Bros. Holdings (pty) Ltd. and serves as its Chief Executive Officer. Has served on the Board of Denel SOC Limited previously. Has served as the Chairman of Saab Grintek (Pty) Ltd. From 1980 to 1984, he served as legal unit co-ordinator for the Council of Unions of SA (CUSA), the forerunner of COSATU.*

- **Prof Tshilidzi Marwala**

*Was appointed as the University of Johannesburg's second Vice-Chancellor and Principal in 2017. Has been an Independent Non-Executive Director of EOH Holdings Limited since November 22, 2006. He served as Director of SITA (Pty) Ltd. He serves as Director of the State Information Technology Agency, Statistics South Africa, the National Advisory Council of Innovation and the South African Council of Natural Scientific Professions.*

- **General TT Matanzima**

*General Matanzima is a career soldier and has served in various capacities in the SANDF, including Chief of Joint Operations and Chief of Human Resources. He was awarded with the Commander Class Medal and the Southern Cross Medal.*

- **Ms Gloria Serobe**

*Founding Member and Executive Director of WIPHOLD. Ms. Serobe serves as Chief Executive Officer of Wipcapital and serves on several Boards including Sasol Mining, Hans Merensky and Old Mutual Emerging Markets. Ms. Serobe has been the Chairman of Adcorp Holdings Limited since July 11, 2017.*

- **Ms Talib Sadik**

*Mr Mahomed Talib Sadik, CA (SA) has been Chief Financial Officer and Executive Director of Basil Read Limited since October 1, 2016. Mr. Sadik served as the Chief Financial Officer and Finance Director at Basil Read Holding Limited since October 1, 2016. He served as the Group Financial Director of Times Media Limited, De Beers Group Services and Denel SOC Ltd. He has been the Executive Director of Basil Read Holding Limited since October 1, 2016. He is a chartered accountant. He holds a B.Com from The University of KwaZulu-Natal.*

- **Ms Sue Rabkin**

*A former Special Advisor to the Minister of Defence. She has a distinguished, long-standing history as a political activist.*

- **Dr Sibusiso Sibisi**

*Dr. Sibusiso Patrick Sibisi is head of Wits Business School (WBS) from January 2018. He served as the President and Chief Executive Officer of The Council for Scientific and Industrial Research. Dr. Sibisi served as the President and Chief executive officer of Council for Scientific and Industrial Research (CSIR) since 2002.*

- **Ms Cheryl Carolus**

*Carolus is Chairperson of Peotona Holdings, an investment holding company. She previously served as Chairperson of SAA, SANParks and CEO of SATOUR. She is a former South African High Commissioner to London.*





“MH1”

- **Ms Nonzukiso Siyotula**

*Ms. Nonzukiso Siyotula has been Independent Non-Executive Director at Growthpoint Properties Ltd. since January 1, 2018. Ms. Siyotula served as the Chief Executive Officer of Thebe Capital of Thebe Investment Corporation (Pty) Ltd. from 2014 to 2016. Ms. Siyotula held various senior positions in Barclays Africa Group, Old Mutual Retail Mass, Royal Bafokeng Holdings and South African Breweries including Chief Financial Officer for Wealth Management and Chief Operating Officer for Africa Finance. Ms. Siyotula has professional experience in areas such as finance, corporate governance, strategy, restructuring, investment management, business development, sales and distribution.*

- **Mr Thami Magazi**

*Has been Acting Chief of Medium Business at Business Connexion Group Limited since 2016. Holds a Bachelor of Science in Business Administration and Masters in Business Administration. He holds Disney Institute Leadership Excellence Program, GIBS Executive Leadership Development Program, University of North Carolina Executive Development Program and Strategic Account Management Program.*

- **Mr Martin Mnisi**

*Qualified lawyer and Director at MNS – Mncedise Ndlovu & Sedumedi Inc. Former lecturer of business law and mercantile law at the University of Johannesburg. Was part of the advisory panel at the Department of Justice and Constitutional Development.*

The immediate priorities for the new interim Board will be:

- to restore sound corporate governance;
- to review the effectiveness of the management team;
- to review major contracts;
- to review the company's financial position with the view to creating sustainability; and
- to consult all stakeholders

One of the most important relationships for Denel is with the Department of Defence (DOD). We will take further steps to understand the DoD's needs and be responsive to them. In the coming weeks I will be reviewing the composition of Boards at other SOC's under the authority of the Department of Public Enterprises as well as the executive management teams to ensure that SOC's are set on a new path.

We can no longer afford to delay these decisions.

By OUTA\*

OUTA welcomes Minister of Public Enterprises Pravin Gordhan's replacement of the Denel board and promise to hold wrongdoers accountable and "follow the money". The new board must still be approved by the Cabinet.

"At last decisive action is taking place, after the country begged the previous Minister, Lynne Brown, to appoint competent, dedicated and incorruptible directors at the SOEs," says Rudie Heyneke, OUTA Portfolio Manager for Transport.



"MH1"

"The new Denel board follows the appointment of a new Eskom board in January 2018 and shows that the Executive is busy with a clean-up operation at SOEs.

"We look forward to seeing the same decisive action at other SOEs that were captured and have been used as vehicles to syphon off state funds like SAA, Transnet and PRASA. Instead of being drivers of the economy and helping creating employment, under the shadow of state capture and the Guptas these entities were a drain on our economy and created a crisis that will take many years to eradicate."



Guptas: Things fall apart. More of

Zapiro's brilliant work available at [www.zapiro.com](http://www.zapiro.com).

OUTA wants the boards which presided over corruption and failure at SOEs removed, replaced with trustworthy boards, with competent and technically sound individuals.

We hope that the new Denel board will review the business processes, focus areas and the key individuals in the organisation. This organisation may need some major surgery after the effects of the Guptas are exposed and analysed.

Under Minister Brown and the outgoing board, Denel's debt was a staggering R3.265 billion by the end of the 2016/17 financial year and, in December, it needed an emergency government loan guarantee of R580 million to pay its 4 000 employees and suppliers.

In September, five of the 10 outgoing board members resigned. On 2 March, that board's chairman, Daniel Mantsha, resigned days before he was due to meet Minister Pravin Gordhan.

Mantsha's resignation coincided with the change of guard in the Presidency and the Public Enterprises Ministry.

"If he thought this will bring him respite, we have some bad news: he will not escape justice. OUTA will ensure that he has his day in court, next to people such as Lynn Brown and her director general Richard Seleke," says Heyneke.

OUTA provided former Minister Brown with evidence of Mantsha's misdeeds, corruption and involvement with the Gupta family, but she preferred to turn a blind eye and not act. OUTA laid a complaint at the Law Society of the Northern Provinces against Mantsha for unethical and unprofessional behaviour, which is being investigated.

OUTA laid charges of corruption against Mantsha on 30 August 2017. OUTA is in contact with the Hawks and we believe this case is making progress.

**“MH1”**

OUTA calls on the new Denel board to investigate the activities of the old guard at Denel, including:

- Former chairperson Mantsha, who was central to allegations of state capture at Denel;
- Ousted board member Nkopane “Sparks” Motseki, who received financial aid for the MKMVA from the Guptas, received a significant stake in the Guptas’ Shiva Uranium mine in 2010, and was the only board member kept on for “continuity” by former Minister Brown in 2015;
- Stephan Burger, the former CEO of Denel Land Systems, who resigned on 29 March 2018, was intimately involved with the Denel/Denel Asia deal and reportedly visited Saxonwold and was involved with Salim Essa’s company, VR Laser;
- Zwelakhe Ntshepe, the current CEO, over his role as one of the key decision-makers in the Denel/Denel Asia deal;
- Ntshepe and CFO Odwa Mhlwana, over the alleged financial mismanagement and misrepresentation of financial information leading to a loss of around R600 million;
- The suspension and ultimately firing of former Denel CEO Riaz Saloojee, and the suspension of former CFO Elizabeth Africa and former company secretary Fikile Mhlonto and for unspecified reasons just two months after the outgoing board was appointed in July 2015 by former Minister Brown, as this has largely been regarded as an attempt to clear out any opposition to state capture;
- The reasons for the withdrawal of the Dentons forensic investigation report into the conduct of the suspended executives. The findings of this report and the reasons for the report’s withdrawal should be made public;
- The Denel order book, particularly cases where contracts cannot proceed because of a lack of financial guarantees from Denel.

“It is sad that people entrusted to safeguard state assets actively worked to destroy them. We can only hope that their departure does not equate to evading prosecution,” says Heyneke.

Denel had a reputation as a leader in the defence industry but lost its lustre when individuals in key positions were “captured” and chose to serve their corruptors rather than our country. OUTA hopes much of this wrongdoing will be uncovered in the state capture inquiry.

“We wish the new Board all the best with their important task of turning Denel around,” says Heyneke.





"MH1"

Main News – 10 April 2018

## Gupta involvement, Denel arms manufacturer in dire straights



Pravin Gordhan has met with the directors of the arms manufacturer Denel. Denel experienced severe cash flow problems and the state had to intervene with a loan of R580 million to ensure that staff and suppliers could be paid.

Early in March, Denel's chairman, Daniel Mantsha, resigned under a cloud of alleged state capture. He has since not been replaced.

Denel's transactions with the Gupta brothers are one of the main reasons for the financial disorder at the entity. The amounts stolen, "given away" and obscured are increasing daily.

"MH1"

OUTA – 19 May 2018

## The writing is on the wall for inefficient SOE boards

The Organisation Undoing Tax Abuse (OUTA) welcomes Minister of Public Enterprises Pravin Gordhan's replacement of the Denel board and promise to hold wrongdoers accountable and "follow the money". The new board must still be approved by the Cabinet.

"At last decisive action is taking place, after the country begged the previous Minister, Lynn Brown, to appoint competent, dedicated and incorruptible directors at the SOEs," says Rudie Heyneke, OUTA Portfolio Manager for Transport.

"The new Denel board follows the appointment of a new Eskom board in January 2018 and shows that the Executive is busy with a clean-up operation at SOEs.

"We look forward to seeing the same decisive action at other SOEs that were captured and have been used as vehicles to syphon off state funds like SAA, Transnet and PRASA. Instead of being drivers of the economy and helping creating employment, under the shadow of state capture and the Guptas these entities were a drain on our economy and created a crisis that will take many years to eradicate."

OUTA wants the boards which presided over corruption and failure at SOEs removed, replaced with trustworthy boards, with competent and technically sound individuals.

We hope that the new Denel board will review the business processes, focus areas and the key individuals in the organisation. This organisation may need some major surgery after the effects of the Guptas are exposed and analysed.

Under Minister Brown and the outgoing board, Denel's debt was a staggering R3.265 billion by the end of the 2016/17 financial year and, in December, it needed an emergency government loan guarantee of R580 million to pay its 4 000 employees and suppliers.

In September, five of the 10 outgoing board members resigned. On 2 March, that board's chairman, Daniel Mantsha, resigned days before he was due to meet Minister Pravin Gordhan.

Mantsha's resignation coincided with the change of guard in the Presidency and the Public Enterprises Ministry.

"If he thought this will bring him respite, we have some bad news: he will not escape justice. OUTA will ensure that he has his day in court, next to people such as Lynn Brown and her director general Richard Seleke," says Heyneke.

OUTA provided former Minister Brown with evidence of Mantsha's misdeeds, corruption and involvement with the Gupta family, but she preferred to turn a blind eye and not act. OUTA laid a complaint at the Law Society of the Northern Provinces against Mantsha for unethical and unprofessional behaviour, which is being investigated.

OUTA laid charges of corruption against Mantsha on 30 August 2017. OUTA is in contact with the Hawks and we believe this case is making progress.

OUTA calls on the new Denel board to investigate the activities of the old guard at Denel, including:



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- Former chairperson Mantsha, who was central to allegations of state capture at Denel;
- Ousted board member Nkopane “Sparks” Motseki, who received financial aid for the MKMVA from the Guptas, received a significant stake in the Guptas’ Shiva Uranium mine in 2010, and was the only board member kept on for “continuity” by former Minister Brown in 2015;
- Stephan Burger, the former CEO of Denel Land Systems, who resigned on 29 March 2018, was intimately involved with the Denel/Denel Asia deal and reportedly visited Saxonwold and was involved with Salim Essa’s company, VR Laser;
- Zwelakhe Ntshepe, the current CEO, over his role as one of the key decision-makers in the Denel/Denel Asia deal;
- Ntshepe and CFO Odwa Mhlwana, over the alleged financial mismanagement and misrepresentation of financial information leading to a loss of around R600 million;
- The suspension and ultimately firing of former Denel CEO Riaz Saloojee, and the suspension of former CFO Elizabeth Africa and former company secretary Fikile Mhlonto and for unspecified reasons just two months after the outgoing board was appointed in July 2015 by former Minister Brown, as this has largely been regarded as an attempt to clear out any opposition to state capture;
- The reasons for the withdrawal of the Dentons forensic investigation report into the conduct of the suspended executives. The findings of this report and the reasons for the report’s withdrawal should be made public;
- The Denel order book, particularly cases where contracts cannot proceed because of a lack of financial guarantees from Denel.

“It is sad that people entrusted to safeguard state assets actively worked to destroy them. We can only hope that their departure does not equate to evading prosecution,” says Heyneke.

Denel had a reputation as a leader in the defence industry but lost its lustre when individuals in key positions were “captured” and chose to serve their corruptors rather than our country. OUTA hopes much of this wrongdoing will be uncovered in the state capture inquiry.

“We wish the new Board all the best with their important task of turning Denel around,” says Heyneke.





"MH1"

Mail & Guardian – 15 May 2018

## Denel CEO quits with immediate effect

Kiri Rupiah

15 May 2018



In his resignation letter Ntshepe cited personal reasons for leaving the company.

The group CEO of Denel has resigned with immediate effect, the state-owned company said on Tuesday.

Zwelakhe Ntshepe has been with the company for 20 years, and was appointed into the Group CEO position six months ago, following a two-year-acting period.

Denel's board of directors says it has accepted Ntshepe's resignation. In his resignation letter Ntshepe cited personal reasons for leaving the company.

The Denel board has appointed CEO of aeronautics Michael Kgobe as acting group CEO in the interim.

Denel has been facing financial problems and in 2017 admitted it was experiencing severe liquidity constraints, resulting in the delayed payment of workers' salaries. It was also battling to pay suppliers.

In April this year, Public Enterprises Minister Pravin Gordhan appointed an interim board of directors at the aerospace and defence technology conglomerate, in a bid to restore good governance. "The Denel Board of Directors has accepted the resignation of the group's Chief Executive Officer, Zwelakhe Ntshepe, with effect from today," the statement read.

"MH1"

*African News Agency – 18 June 2018*

## **Supra Mahumapelo must put his money where his mouth is and pay back the money for son's bursary, says DA**

RUSTENBURG, June 17 (ANA)

Disgraced former North West premier Supra Mahumapelo should "put is money where is mouth is" and pay back the money his sun received for a R1 million pilot's training bursary from state-owned arms company Denel, the Democratic Alliance said on Sunday.

The decision to investigate those responsible for awarding the R1 million bursary to Mahumapelo's son, as well as the allocation of a tender to his brother, was welcomed, DA North West leader Joe McGluwa said.

"The former premier must put his money where his mouth is and pay back the money his son received, as promised during a public meeting as well as in the provincial legislature earlier this year," he said.

The African National Congress should "work responsibly with the people's money", and the DA urged Denel to conclude this matter as soon as possible. It was imperative to also hold Denel's former CEO Zwelakhe Ntshepe and board chairman Daniel Mantsha, who resigned, accountable for the apparent shady dealings that went down at Denel under their watch.

"Furthermore, we strongly feel that education is one of the cornerstones of our society and should be used to empower the people of North West, especially the poor. This bursary could have enriched the lives of honourable recipients," McGluwa said.

Millions of people in the North West were unemployed. The education department and schools were in dire need of fixing up and better management to improve conditions for both school pupils and teachers.

A R1 million bursary could create a future for at least 15 students who enrolled full-time for three years at one of the local universities.

"Clearly, being the premier did not put Supra, nor his son, in a position where they had to rely on the people's money to further his son's studies or career," McGluwa said.

, editing by Jacques Keet



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**HR Pulse – 19 June 2018****Denel finance boss on special leave**

PUBLISHED ON 19 JUN 2018

HR PULSE NEWS DESK

Denel has placed its group chief financial officer, Odwa Mhlwana, on special leave pending a disciplinary process after serious claims of misconduct were made against him.

The state-owned arms manufacturer has refused to name the "serious allegations", but said it had taken the step to allow for a verification process of the allegations against Mhlwana. This would include interviews with his colleagues. The process would be presided over by an independent chairperson and would be completed by the end of July.

Mhlwana's placement on special leave comes a little more than a month after group CEO Zwelakhe Ntshepe resigned following reports that he signed a questionable R1.1m bursary for former North West premier Supra Mahumapelo's son. Ntshepe and former Denel board chairman Daniel Mantsha were implicated in allegations of state capture in a tranche of leaked Gupta e-mails. Mantsha resigned from Denel in March. The parastatal indicated that its board members had received a number of serious allegations made by whistle blowers since their appointment in April.

Handwritten signature and initials, possibly 'JP' and 'mr', in black ink.

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IOL – 18 September 2018

## Outa makes submission on Denel to #StateCaptureInquiry

By Khanyisile Ngcobo      Sep 18, 2018

Johannesburg - The Organisation Undoing Tax Abuse (Outa) on Tuesday confirmed it had made the first of a series of submissions to the commission of inquiry into state capture.

The first submission made to the commission, chaired by deputy Chief Justice Raymond Zondo, is on the embattled state-owned entity Denel.

Outa in a statement said in its submission, it shows how Denel moved from being a profitable company with an order book of more than R35 billion in 2015 to one that came "perilously close to handing over defence technology to the Guptas".

"Under minister Lynne Brown's direction, the Denel board was replaced in 2015 with a board which planned the capture of the entity.

"She approved the appointment of a new chairperson – lawyer Lugisani Daniel Mantsha, who was once ~~disbarred~~ then reinstated and is now Zuma's lawyer."

In September 2017, Outa laid charges of corruption against Mantsha over Denel's joint venture with Gupta-linked company VR Laser Asia, Denel-Asia, to supply weapons to the Asian market.

The deal would have seen the Guptas selling Denel's weapons to India without any benefit to the parastatal.

Former Denel CEO Zwelakhe Ntshepe was also implicated in this deal, which was blocked by the National Treasury and ultimately collapsed.

Outa said the submission on Denel was the first of a number of submissions planned, which build on Outa's 2017 report to Parliament, No Room to Hide: A President caught in the act.

"Outa's state capture submissions aim to outline how appointees under former president Jacob Zuma's leadership manipulated policies and entities in the interests of themselves or the Guptas, rather than in the interests of the country," the organisation said.





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*The Times – 18 September 2018*

## Shots fired! Outa blasts Denel at state capture inquiry

18 September 2018 - 11:15 BY AMIL UMRAW



Outa believes that the board set up by Lynne Brown took decisions on Denel which did not make commercial sense but were aimed at lining the Guptas' pockets

**Image:** Esa Alexander

The Organisation Undoing Tax Abuse (Outa) has lashed out at state arms firm Denel in its first submission to the state capture inquiry.

Outa said its submission aims to outline how appointees under former president Jacob Zuma's administration allegedly manipulated policies in the interests of themselves or the Gupta family.

"Outa shows how Denel moved from being a profitable company with an order book of more than R35-billion in 2015 to an entity which came perilously close to handing over defence technology to the Guptas," Outa alleged.

"Under (former public enterprises minister) Lynne Brown's direction, the Denel board was replaced in 2015 with a board which planned the capture of the entity. She approved the appointment of a new chairman – lawyer Lugisani Daniel Mantsha, who was once disbarred then reinstated and is now Zuma's lawyer.

"Outa believes that the board set up by Brown took decisions on Denel which did not make commercial sense but were aimed at lining the Guptas' pockets in a massive state heist."

The organisation's submission builds on its 2017 report to parliament in which it charts out a timeline and evidence of how the state was allegedly captured.

Leaked emails from the Gupta business empire showed the family were sent confidential government correspondence relating to Denel and its operations. This came around the time the state entity chose the Gupta-owned VR Laser company as a partner in a joint venture to supply the Asian market with weapons worth billions. The deal eventually fell through.

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*Daily Maverick – 24 October 2018*

## Saudi Arabia, Qatar & Denel: What we know

By Darren Olivier • 24 October 2018

*Denel photo supplied*

In recent weeks there has been much public debate regarding the news that Saudi Arabian Military Industries is in talks with the South African government to take up a stake in Denel SOC, the state-owned defence company. African Defence Review can exclusively report, though, that South Africa was the recipient of a similar overture from Qatar in 2017, in which the sheikhdom offered Denel SOC a \$350-million five-year loan facility, to be converted to future equity in the company. This offer expired in April 2018 and it's unclear whether Qatar remains interested.

To properly evaluate the future options for Denel it is important to understand the context of both the Saudi and Qatari overtures, Denel's own future prospects, and the deadly serious ethical and financial implications of each course of action.

What is clear is that any decision taken by the South African government with regard to Denel will have negative consequences, some terrible, and not all will be offset by an upside; so the South African government can only determine which of those choices is the least damaging. There are no easy options left.

These events are driven by two unrelated but coincidental developments: The severe liquidity and debt crisis caused by State Capture and mismanagement facing state-owned enterprises such as Denel, and the ambitious industrialisation programmes of Saudi Arabia and Qatar.



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The first has made the South African state open to outside investment in its SoEs and placed it under time pressure to get deals concluded, while the second has turned the two Gulf powerhouses into investors willing to spend billions of dollars in a relatively short time to acquire industrial capabilities.

Although Denel had been steadily increasing its profit levels over the years, going from R41-million in after-tax profit in the financial year of 2011/12 to R395-million in the financial year of 2015/16, it had not yet managed to achieve a steady net cash inflow and remained heavily reliant on issuing a series of Domestic Medium Term Notes to fund its ongoing cash needs.

By 2017 Denel's total issued outstanding debt, mostly Domestic Medium Term Notes, stood at R3.7-billion, of which R1.85-billion was guaranteed by the South African government.

Once it became public that Denel was caught up in the State Capture scandal and was deeply involved with the notorious Gupta family via both its partnership with VR Laser and its highly dubious investment in Denel Asia, among other questionable management decisions, private lenders began to refuse to buy the company's debt notes unless they were fully guaranteed by government.

Yet South Africa's National Treasury was unable to provide further guarantees beyond a once-off R580-million in December 2017. Since then, Denel's liquidity situation has declined so badly that it has been unable to pay suppliers (and thus deliver orders), had to short-pay senior managers and engineers in September, and may not be able to pay salaries this month.

Qatar and Saudi Arabia are locked in a bitter rivalry at present, though both have embarked on similar and ambitious industrialisation programmes designed to turn them into fully developed countries with diversified economies that are not reliant on oil or gas revenues.

Qatar has termed its economic plan "Qatar National Vision 2030", and Saudi Arabia's plan is termed "Vision 2030", each including a goal of creating a viable indigenous defence industry.

To this end, early in 2018 Qatar created Barzan Holdings as a subsidiary of the Ministry of Defence and Saudi Arabia created Saudi Arabian Military Industries (SAMI), as a subsidiary of the Saudi Public Investment Fund.

Both Barzan and SAMI have the mandate of forming partnerships, joint ventures, and equity investments with defence companies around the world in order to transfer technology and set up local manufacturing and R&D facilities.

This goes along with the financial backing to make the transactions profitable for the foreign companies involved. Both have already begun local manufacturing of a number of systems as a result of those agreements.

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According to Denel spokesperson Pamela Malinda, in 2017 the government of Qatar approached Denel to discuss the possibility of providing loan funding and of acquiring an equity stake. This was followed by the signing of a formal Memorandum of Understanding in October 2017 by representatives from Qatar, Denel, and the South African government, based on the following conditions, provided to us by Denel:

*\$350-million loan facility for a five-year term, which Denel could draw down on an as-needed basis.*

*Six month exclusivity period to conclude the loan agreement.*

*Confidentiality clause.*

*The desire of Qatar’s government to obtain an equity ownership stake in Denel SOC, though specifying that this would require a separate approval process beyond Denel’s board.*

*Provision for the loan agreement to be concluded with Denel itself if the equity ownership could not be approved.*

*Provision for the loan agreement to be repaid via a future conversion into equity in Denel SOC if approval was achieved.*

However, the loan itself was contingent on the securing of unspecified guarantees from the South African government, which for unspecified reasons could not be secured before the negotiating period lapsed. Questions posed to the Department of Public Enterprises on this subject went unanswered.

It is unclear whether Qatar is still interested in further negotiations over Denel, or whether any discussions took place after April.

The United Arab Emirates has been mentioned as another possible suitor for Denel, but there are no indications that its interest has gone any further than small extensions to the joint venture between Tawazun and Denel Dynamics.

During President Cyril Ramaphosa’s visit to Saudi Arabia in July 2018 both countries discussed the possibility of a \$10-billion Saudi investment programme in South Africa, primarily in the energy sector.

Some analysts have speculated that this may also include equity stakes in other debt-laden SoEs such as Eskom, the national energy provider. Those discussions also involved various options for SAMI to partner with South African defence companies, including a potential equity stake in Denel SOC and/or some of its subsidiaries.

Notably this has formed part of discussions and agreements for the Saudi government to invest \$10-billion in South Africa, which some analysts have speculated may include equity stakes in other debt-laden SoEs such as Eskom.

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*African Defence Review* spoke to Dr Andreas Schwer, CEO of SAMI, on the sidelines of September's Africa Aerospace & Defence exhibition in Tshwane, about his company's proposals. Schwer stated that SAMI had been given the goal of by 2030 being among the top 25-largest defence firms, supplying more than 50% of Saudi Arabia's security procurement needs (up from less than 5% today), directly employing more than 40,000 people and contributing \$3.7-billion to the kingdom's GDP.

To achieve this SAMI has consolidated all other Saudi state-owned defence companies under its umbrella and has begun pursuing strategic partnerships with major defence companies, including Boeing, Lockheed-Martin, and Rosoboronexport.

According to Schwer, who was in South Africa to hold talks with local private defence companies and ministerial representatives, SAMI is particularly, but not exclusively, interested in partnering with companies that could provide missile, ammunition, and optoelectronic technology.

In terms of Denel, Schwer said that SAMI was seeking both an equity stake in the holding company, Denel SOC, as well as stakes in one or more of its subsidiaries, but said that it had been approaching all South African defence companies, including Paramount Group, about partnerships.

In return, SAMI's incentive to its strategic partners is a combination of long-term investment, sustained R&D funding and the promise of guaranteed exclusive contracts from the Saudi state for decades to come.

Schwer claimed that SAMI's offer was aimed at creating a beneficial situation for both sides, where technology, manufacturing facilities and skills would not be taken out of the country, but would instead be mirrored in both South Africa and Saudi Arabia along with substantial R&D funding invested in the product portfolios of the South African firms that partnered with them.

He made it clear that in return, technology-sharing was non-negotiable, and that it was SAMI's strong preference to wrap up talks with South African firms, including Denel, by the end of 2018.

Schwer would not be drawn on how much SAMI is willing to pay for its stakes in Denel and the South African government has not been willing to comment on the record.

A highly placed adviser who wished to remain anonymous claimed that a figure of \$1-billion (about R14.2-billion) was said to have been discussed, but was unable to provide further detail, nor whether this quoted amount was for an equity stake or an intellectual property-sharing partnership.

In fact, most of the parameters of the negotiations remain unclear, especially with regard to the sizes of the equity stakes at both group and subsidiary level and the intended timing.

While it is likely that the South African government would wish to retain controlling ownership in Denel SOC, at least via a golden share, the same may not be true of all of





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its divisions and subsidiaries and there remains the possibility of a majority takeover that results in a structure similar to that of Rheinmetall Denel Munitions or Hensoldt Optronics, in which Denel holds minority stakes.

In either case, an investment of R14.2-billion will have a transformative effect on Denel, allowing it to recover from its crisis and expand its product portfolio by completing a number of presently moribund projects and concepts and upgrading existing systems.

Of course, before any deals are concluded, either with Denel or with any other South African defence firm, there are a number of legal and administrative steps to clear.

First, any shareholding that SAMI takes up in South African defence companies will have to be approved by the Chief Directorate Conventional Arms Control (CDCAC) and its parent body the National Conventional Arms Control Committee (NCACC), via both internal vetting in terms of the National Conventional Arms Control Act and through the approval of Defence Intelligence, Armscor, the SAPS, the State Security Agency and various national departments.

The CDCAC and NCACC will have to determine whether Saudi Arabia's actions in Yemen, which have drawn [widespread criticism for alleged human rights violations](#), and its alleged [recent murder of Washington Post journalist Jamal Khashoggi](#) are sufficient conditions under the National Conventional Arms Control Act to deny any arms sales to the country or shareholding in South African firms.

This may not be a straightforward decision, as while some elements of Section 15's *guiding principles and criteria* in the act would appear to be disqualifying, those criteria are judged as a total set and include the principle that a recipient country has the right to self defence, and not all armament types would be seen as directly usable for violations in Yemen.

In addition, any transfer or sale of intellectual property outside of South Africa will have to be cleared by the Department of Defence (DoD), primarily Defence Intelligence and Armscor. It has long been rumoured that the DoD was responsible for blocking a proposed investment into Denel Dynamics by the European missile company MBDA in the mid-2000s via this mechanism.

At the same time, the South African government will have to weigh these decisions against the probability of Denel surviving in its present form should outside investment be lost or rejected.

The damage caused by State Capture and mismanagement is substantial; the harm caused by the company's months-long liquidity crisis on top of that may be catastrophic.

For over a year Denel has been unable to pay most suppliers, which has resulted in the shutdown of a number of its production lines and a failure to deliver on orders and other commitments. As a result the company is failing to bring in new revenue, has suffered penalties for non-delivery, and may have lost some contracts in their entirety.

Handwritten signature and initials, possibly 'MP' and 'ME'.

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Just how much of an impact this has all had will only be known in part once the company's 2017/18 annual report is released to Parliament — yet Denel is now almost a month late in submitting it.

It is entirely possible that, given the damage done and the inability of the South African government to commit further funds to stabilise Denel and other SoEs, if foreign investment is rejected Denel will default — and enter an uncontrolled downward spiral after which it might be liquidated at the cost of thousands of highly skilled jobs and critical strategic capabilities.

The impact on the rest of the country's hi-tech industry if that happened would be devastating. The South African National Defence Force would see the cost of supporting a number of its key systems, especially workhorse aircraft such as the C-130BZ transport and Oryx helicopter, escalate to the point of making them unaffordable to operate.

This is what makes these negotiations such a delicate balancing act for the South African government. It cannot dismiss the poor human rights record of the Saudi government, not only because it creates reputational and legal risks for any country too tightly aligned to the kingdom if that human rights record deteriorates further, but because South Africa has a stated desire to pursue a moral foreign policy.

Yet against that it must weigh its own difficult position in which it cannot afford the debt that its state-owned companies have accrued. It appears to have no other potential investors lined up to provide funds at this scale. Doing nothing and letting the SoEs fail may send the already fragile South African economy into a tailspin, and rushing a fire-sale privatisation process may have negative long-term outcomes.

Each of the choices has serious downsides.

It would be a legitimate choice to decide that the risks of associating with Saudi Arabia are too high a cost to pay, even when compared with the cost of SoE failure, but then it's important that contingency plans be in place to limit the fallout.

Similarly, if Saudi investment and SoE shareholding is accepted, South Africa must ensure that its key intellectual property is protected, that it has a long-term sustainability plan beyond Saudi Arabia's own strategy, and that it has defended itself against the risk of the Saudi government becoming a rogue state.

Whatever path is ultimately taken, and whatever the fate of Denel and other state-owned companies might be, this set of decisions will have a profound effect on South Africa's foreign policy, economy, and defence industry strategy for years to come.

It is important that they be made as transparently as possible and that both the public and civil society have the chance to weigh in on the debate. **DM**

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IOL – 19 November 2018

## #StateCaptureInquiry: Denel Asia joint venture created to 'rob' Denel

By Zintle Mahlati      Nov 19, 2018

Johannesburg - Public Enterprises Minister Pravin Gordhan says the Denel Asia joint venture was created specifically to rob state-owned entity Denel of its intellectual property.

Denel Asia was to be a joint venture between VR Laser Asia, which was owned by Gupta associate Salim Essa, and state armed manufacturer Denel.

VR Laser South Africa was owned by Duduzane Zuma and Rajesh Gupta.

Gordhan told the state capture inquiry during his testimony on Monday that the Denel board was captured.

When asked how he concluded this, he cited the investigation by Amabhugane which showed how various Denel board members were regulars in Dubai and had their personal expenses paid by the Guptas.

There was collusion between the Guptas and the Denel board led by Daniel Mantsha, who is now former president Jacob Zuma's lawyer, Gordhan revealed.

When Des van Rooyen was hired as the new finance minister, following Nhlanhla Nene's dismissal in December 2015, an application for approval of the Denel Asia deal was submitted to his office.

However, van Rooyen was not able to approve the deal as he lasted in office for only two days and was then replaced by Gordhan.

After Gordhan returned as finance minister, the deal fell through which sent Mantsha on the attack against the Treasury and Gordhan over the refusal to put through the deal.

Gordhan cited the legality of the VR Laser/ Denel deal.

Gordhan also told the inquiry that the phenomenon of state capture could be traced back to when Barbara Hogan was removed as public enterprises minister in 2010 and attempts were made to change the boards of state-owned enterprises.

He also told the inquiry how former president Jacob Zuma insisted on the nuclear deal even though it was financially unsustainable.





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OceanVibe – 20 November 2018

## Eight Standout Points From Pravin's First Day At State Capture Inquiry

20 Nov 2018 by [Jasmine Stone](#) in [Crime](#), [Jacob Zuma](#), [Politics](#), [South Africa](#)

Yesterday, Pravin Gordhan made his long-awaited appearance at the judicial inquiry into state capture, headed by Deputy Chief Justice Raymond Zondo.

We showed you **a live feed of the day** but, like most things involving South African politics, it was pretty slow-moving and drawn out.

That being said, those in the know say Pravin's evidence sets the scene nicely for today and the rest of his testimony, and there were a few standout moments that are worth noting.

While Gordhan said he could not speculate in detail on the circumstances around Nhlanhla Nene's initial removal as finance minister, he did tell the inquiry that Nene refused to sign a deal for nuclear procurement.

We did know that already, and **we owe Nene a massive debt of gratitude.**

**Denel, VR Laser and Denel Asia**

Gordhan told the inquiry about difficulties undoing an arrangement in which Denel became a 50% holder in a Hong Kong company alongside a partner the South African government had a hard time finding – Gupta associate Salim Essa.

At the time this Hong Kong-based joint enterprise was established, Zuma's legal representative at the commission, Daniel Mantsha, was calling the shots at Denel as the arms company's chairperson.

Gordhan characterised his relationship with Mantsha as hostile, saying he was subjected to great verbal confrontation from Zuma's legal representatives over key decisions at Denel.

This is the same Denel that is struggling to stay afloat, tried to cut its employees' salaries, and suffered a deadly blast back in September.

Just another failed and flailing state-owned enterprise, in case you're keeping count.

**Fired? News to me**

Gordhan also told Zondo that he found out Zuma had removed him as finance minister with the rest of the country – on the news.

**“MH1”**

“It was not until March of the following year that I learned that I was relieved of my duties as minister just after midnight. I was not extended the courtesy of being told that I was relieved of my duties,” said Gordhan.

I guess Trump and Zuma are both too spineless to do their firing face to face.

**Please plug the leaks**

Early in his testimony, Gordhan raised the leaking of his draft statement and the subsequent publication in the media.

“The draft statement that I and my legal team had interactions on only was seen by Mr Pretorius. Yet there are already tweets comparing the first and final draft. I would like the commission to consider this, as it is quite fascinating that some seem to have access to these,” Gordhan said.

He’s talking about [this sworn statement](#).  
**‘Gordhan must fall’**

The Economic Freedom Fighters (EFF) were present outside the venue in Johannesburg. EFF chief whip Floyd Shivambu and national spokesperson Mbuyiseni Ndlozi addressed crowds of supporters demanding Gordhan’s resignation from Cabinet.

Black First Land First (BLF) also held demonstrations outside of the commission’s venue. Both gatherings rallied in opposition to “white monopoly capital” and what they see as the gradual privatisation of state-owned companies, including Eskom.

**White monopoly capital? Yawn.**

BLF are irrelevant, and always will be, and we can only hope the EFF and their hypocritical grandstanding sees them go the same way.

**Zuma set on nuclear**

Gordhan said Zuma was determined to see nuclear energy procured on a large scale, but said he tried to stick to a commitment to investigate whether nuclear could be procured in an affordable and sustainable manner.

“Nuclear was considered as part of the energy mix of South Africa. The 9.6GW is consistent with the so-called Russian nuclear deal and what it would have amounted to,” said Gordhan.

**“MH1”**

Gordhan told Zondo that when there was a proposition for nuclear procurement, he would, through existing legislation, allow for a process that could accommodate procurement for a project of this scale.

**No intention to overstep**

Gordhan said Zuma ignored him when he advised the then-president to test his preferred candidate against others when choosing the next SARS commissioner. He never meant to overstep, he explained.

“I accept the limitation of my place in government.

“Having the vantage point of looking at all the pieces of the puzzle. I can say we can all supply you with pieces and allow you to come to the conclusion that you need to,” said Gordhan.

**How long will investors stick around?**

Gordhan recalled a time when National Treasury experienced great difficulty instilling a sense of confidence among investors amid contentious decisions Zuma made, as well as a lack of clarity on nuclear procurement, among other things.

Given that Pravin's evidence paints quite a nasty picture, can we just take a moment to remember the sheer joy this country felt when Zuma was ousted?

Allow me to share this one more time:

I can't breathe!!! why would you go to Braam & interview LIT people from Kitchener's? Of course you'll get LIT answers... what did he expect! [#ZumaHasFallen #ZumaResigns pic.twitter.com/g8fPQa0vgg](#)  
— Mpendulo Jayiya (@Mpendulo\_Jayiia) [February 15, 2018](#)



"MH1"

Engineering News – 6 December 2018

## Denel Asia closing down, says Public Enterprises portfolio committee

6TH DECEMBER 2018

BY: MARLENY ARNOLDI  
CREAMER MEDIA ONLINE WRITER

State-owned arms maker Denel is in the process of closing down the controversial Denel Asia joint venture, the company informed the Portfolio Committee on Public Enterprises on Wednesday.


The committee was briefed by a delegation led by Denel chairperson **Monhla Hlahla** on the current state of forensic investigations at Denel.

Committee chairperson **Lungi Mnganga-Gcabashe** previously questioned why Denel Asia was established, but was informed by the previous board that Denel Asia had been set up as a legitimate company to expand the defence company's footprint in the Asian market.

It was then suggested by the committee that there was no need to expand, as Denel had an existing footprint in Asia and that Denel Asia had been set up as a catalyst for State capture.

The committee said outcomes of the forensic investigation should lead to consequence management, not only for the staff implicated, but also the politicians who have been found to be involved in alleged looting at the company.

Meanwhile, at the briefing, Hlahla denied that Denel had loan agreements with Qatar and Saudi Arabia, and that Denel was up for sale.

Reuters reported last month that Saudi Arabia had made a \$1-billion offer to enter into a partnership with Denel that would include the acquisition of an interest in Denel Rheinmetall Munitions – a joint venture between Denel and German company Rheinmetall. 





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Mail &amp; Guardian – 5 December 2018

## Denel confirms cancellation of Supra Jr's bursary

**Kiri Rupiah**

5 Dec 2018



The premier's younger brother Tau Mahumapelo was brought on to the board in July 2015 by then public enterprises minister Lynne Brown as part of a "rotation" board. (Felix Dlangamandla/Netwerk24/Gallo Images)

State-owned aerospace and military technology conglomerate Denel has confirmed the cancellation of a R1.1 million bursary agreement with Supra Mahumapelo's son.

Eleven months after his uncle quit as a Denel board member, Oarabile Mahumapelo, the son of the former North West Premier, was awarded a bursary.

The premier's younger brother Tau Mahumapelo was brought on to the board in July 2015 by then public enterprises minister Lynne Brown as part of a "rotation" board.

He and four other board members resigned in March 2016 without explanation.

Initially, Denel denied in a statement the bursary was awarded improperly saying "these allegations are false" and the "bursary awarded was made to three students based on the same criteria and/or considerations" and that only one bursary — the one in question — "has attracted the interest of the media".

Handwritten signature and initials, likely of the author Kiri Rupiah.



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On Wednesday, while briefing Parliament’s portfolio committee on public enterprises, Denel board audit committee chair Talib Sadik said an investigation into how the bursary was awarded had made several findings. These include that the school where Mahumapelo was studying to be a pilot was not an institution approved by Denel, the bursaries were not advertised in terms of Denel’s bursary policy, and that the bursary was granted without following a proper selection process.

“We encountered a number of issues with a pilot bursary we awarded. It was not advertised or subjected to proper selection processes. We have decided as a result that we will no longer continue with the bursary policy and it has been terminated,” Sadik added.

As a result, Denel terminated the bursary policy, Sadik said. Denel says it has a right to recover any money already paid towards Mahumapelo Jr’s studies.



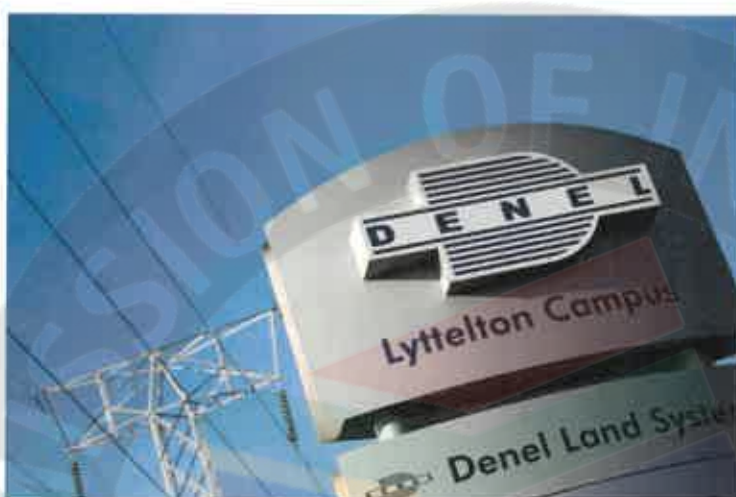
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City Press – 25 November 2019

## Denel lost R30bn in deals due to Gupta bribes

# City Press

Sipho Masondo  
SHARE

Denel offices in Pretoria. Picture: Reuters

### Insiders allege arms deals were cancelled after an executive insisted that kickbacks be made to Gupta lackey Salim Essa

State arms company Denel lost more than R30 billion in contracts to supply weapons because a former executive insisted that kickback contracts be signed with the Gupta family.

Two deals – one concluded with Saudi Arabia in 2013 and the other with India in 2015 – fell through when the foreign arms companies could not agree on the terms of kickbacks to be signed with Gupta associate Salim Essa.

The allegations of kickbacks are contained in documents that the Special Investigating Unit (SIU) submitted to President Cyril Ramaphosa last year, when seeking his approval for a proclamation to probe wide-ranging claims.

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The claims include allegations that Denel failed to conclude deals in Saudi Arabia, India, Chad, Kuwait and Turkey, as well as about general corruption and theft of Denel's intellectual property.

Last Sunday, City Press reported that Ramaphosa authorised the SIU to probe claims of how current and former executives allegedly stole Denel's intellectual property for some of its highly sought after missiles and gave it to arms company Saudi Arabian Military Industries (Sami).

Read: [How SA's weapons tech was 'stolen' and given to Saudi arms company](#)

Some of Denel's former executives are now employed by Sami.

The SIU is already investigating how a R71 million tender was awarded to VR Laser, a company previously owned by the Guptas, to supply fabricated steel.

It is also probing the following cases: the appointment of companies that rendered legal services to Denel; the R1.1 million pilot bursary awarded by Denel to Oarabile Mahumapelo, the son of former North West premier Supra Mahumapelo; and a R6.6 million security assessment contract.

The two Denel executives who spoke to City Press said that they, along with their colleagues, were concerned that the SIU was not investigating the allegations about artillery in Saudi Arabia and India, and the contracts in Chad, Kuwait and Turkey.

Last week, two executives told City Press that they were concerned that the SIU was not investigating the R30 billion in lost opportunities or the claims against the former Denel executive for demanding that kickback deals be signed before the contracts were signed.

In 2013, Denel lost an R8.4 billion deal to supply the Royal Saudi Land Forces with G6 artillery because the same former executive had insisted that a kickback agreement be signed with Essa, the two insiders said.

And, again in 2015, the same executive allegedly insisted on a kickback agreement being signed with Essa for a deal worth R22 billion which Denel was expecting to sign in order to



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supply T5 artillery to India's Ministry of Defence, through Pipavav Defence, an Indian arms manufacturing company.

Denel has also failed to deliver on a R250 million contract to supply the Chadian government with Casspirs. Chad had already made a R100 million advance payment.

SIU spokesperson Kaizer Kganyago confirmed that the unit had received these claims. However, he said, it was not probing the allegations about Pipavav because Denel's loss of business in Asia does not fall under the jurisdiction of the SIU.

Based on available information, an investigation by the SIU would not have any effect, Kganyago added.

But, he said: "Should the whistle-blower provide further information, the SIU will consider it."

Regarding Chad, Kganyago said the matter was a contractual dispute which did not need the SIU's intervention.

"It appears from the information provided to the SIU that discussions were under way in 2018 regarding a resolution to the matter. In light of the above, an SIU investigation would not make any significant impact or yield tangible outcomes."

Denel spokesperson Pamela Malinda said it was difficult to quantify the value of the contracts that the company has lost as a result of state capture.

"Denel pursues a number of opportunities globally. Some of those opportunities result in contracts and some do not materialise," she said.

### **THE SAUDI KICKBACK ALLEGATIONS**

In the letter written by the SIU to Ramaphosa, motivating for him to sign the proclamation authorising the probe, it is claimed that by 2013, Denel was in advanced talks with the Royal Saudi Land Forces, which wanted to buy artillery from South Africa.

But the deal fell through because the former Denel executive had insisted that the Saudi company, which would have partnered with the arms manufacturer, sign a kickback agreement with Essa.

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The document shows that one of the reasons the deal collapsed was that the former Denel executive had insisted that the deal be signed with Denel Asia. But this could not happen at the time as Treasury had not approved the establishment of Denel Asia.

According to the letter, leaked by sources at Denel, the former executive requested a subordinate – who later approached the SIU with information on this matter – to accompany him to Dubai to meet the president of the company that would have partnered with Denel.

During this visit, which took place in July 2013, the former executive “informed Company X that they needed to sign a commission kickback agreement with Mr Salim in order to secure the South African government’s political support”.

The letter continues: “This agreement was eventually signed, albeit reluctantly, by Company X. According to the whistle-blower, he never saw the agreement or the percentage of the kickback, but Company X informed him that the purported agreement was signed with ... Essa, and that Essa insisted on an unreasonably high percentage.

“Due to the abovementioned loss of commission for Company X, they eventually lost interest in the deal. This had the consequence of putting the project in limbo.”

#### **THE PIPAVAV KICKBACK ALLEGATION**

The SIU’s motivation letter further shows that in 2015, Denel was looking for an Indian company to partner with in order to supply India’s Ministry of Defence with T5 artillery.

After an extensive search, Denel settled on a partnership with Pipavav Defence, which was later taken over by Reliance Defence.

But the letter shows the company’s management would not approve the partnership until a kickback agreement had been signed with Essa: “Denel management did not approve the partnership until such time as a ‘kickback agreement’ with VR Laser and Essa was established.

According to the whistle-blower, and in the words of Pipavav Defence, he (Essa) authorised the partnership. According to the whistle-blower, he was informed that the demands were unreasonably high.”





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The document shows that one of the reasons the deal collapsed was that the former Denel executive had insisted that the deal be signed with Denel Asia.

But this could not happen at the time as Treasury had not approved the establishment of Denel Asia.

Denel Asia was a joint venture between Denel and VR Laser, which was controlled by Essa.

Denel Asia was established as a vehicle to sell Denel's arms to Asian countries, including India.

However, the whistle-blower told the SIU that establishing Denel Asia was unnecessary because the mother company, based in Centurion, had a wide network of connections in India.

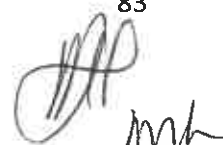
This is stated in the letter: "In summary, Denel did have a footprint and connections in India and other countries before December 2015. VR Laser had no knowledge about the defence markets in Asia.

The SIU is already investigating how a R71 million tender was awarded to VR Laser, a company previously owned by the Guptas, to supply fabricated steel

"The Denel Asia venture prevented Denel from doing business in a normal fashion. Business opportunities in India have been lost due to the Denel Asia venture. Revenue lost is ... estimated at \$1.5 billion (R22 billion)."

The two Denel executives who spoke to City Press said that they, along with their colleagues, were concerned that the SIU was not investigating the allegations about artillery in Saudi Arabia and India, and the contracts in Chad, Kuwait and Turkey.

"It is concerning that our whistle-blower gave the information to Denel, but it appears that it is not doing anything about it. We want to know if the SIU requested the president to authorise it to investigate these particular cases. Information about them was handed over to the SIU, together with the information on which Ramaphosa based his decision to approve the Denel proclamation."

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"MH1"

**BIZNews – 29 August 2017****Denel finally exits joint venture with Gupta-linked VR Laser Asia***Published Date: 2017-08-29 | Source: BizNewsPM | Author:****By Rene Vollgraaff***

South Africa's state-owned arms company Denel SOC Ltd. has exited a joint venture with VR Laser Asia, which has been linked to the Gupta family who announced the sale of their media companies and coal business this week.



*Denel AH-2 Rooivalk Attack Helicopters 2*

Since its establishment in 2016, the joint venture hasn't operated because of differences of opinion with South Africa's National Treasury "at times based on perceptions and not fact," Pam Malinda, a spokeswoman for Denel, said in an emailed statement at the release of its 2017 financial results on Friday.

"The Denel Asia JV became the focus of negative attention from the media to the detriment of the Denel brand, both locally and internationally," *she said.*

The Treasury threatened court action to stop the venture, saying it was established unlawfully, and Finance Minister Malusi Gigaba, who replaced Pravin Gordhan in the post in March, said he was opposed to the deal given Denel's fragile financial position. While the Guptas' Oakbay Investments said in February 2016 it owns an indirect minority stake in VR Laser Services in South Africa, but no shareholding in VR Laser Asia, their business associate Salim Essa owned the Asian entity, according to Denel.

The Gupta family are selling their assets in South Africa to little-known companies as their access to banking facilities dries up. They face a backlash from politicians and civil-society groups over allegations they used a friendship with President Jacob Zuma and a business relationship with one of his sons to secure deals from the government and state companies.

Denel's profit for the year to March was 333 million rand (\$25 million) compared with 395 million rand in 2016, it said Friday.

Two handwritten signatures are visible in the bottom right corner. The first signature is a stylized, cursive 'JP' or similar. The second signature is a more complex, cursive script, possibly 'MV' or 'ML'.

“MH1”

BIZNews – 29 August 2017



*DP*  
*me*