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PROCEEDINGS HELD ON 19 MARCH 2019

CHAIRPERSON: Good morning Ms Gcabashe, good morning everybody.

ADV LEAH GCABASHE: Good morning DCJ.

CHAIRPERSON: Yes thank you.

ADV LEAH GCABASHE: DCJ this morning Adv Buthelezi will be leading the testimony of Ms Martie Janse Van Rensburg.

CHAIRPERSON: Yes.

ADV LEAH GCABASHE: The former chairman of Denel.

CHAIRPERSON: Yes.

- 10 **ADV LEAH GCABASHE**: Thereafter she will be leading the evidence Mr Jiyane who used to be a shareholder of VR Laser.

CHAIRPERSON: Yes.

ADV LEAH GCABASHE: And who will be telling us about that.

CHAIRPERSON: Okay.

ADV LEAH GCABASHE: Thank you Chairman.

CHAIRPERSON: Thank you. Ms Buthelezi.

ADV ZINHLE BUTHELEZI: Thank you Chair. Chair before I start there is Ms Govender who is representing one of the implicated party relative to Mr Jiyane. She would like to place herself on record.

- 20 **CHAIRPERSON**: That is fine thank you.

ADV TENEILLE GOVENDER: Good morning Mr Chair.

CHAIRPERSON: Good morning.

ADV TENEILLE GOVENDER: I appear on behalf of Mr Iqbal Sharma. I am instructed by Shaheed Dollie Attorneys.

CHAIRPERSON: Thank you very much.

ADV TENEILLE GOVENDER: My name is Teneille Govender I am an advocate from the Johannesburg Bar.

CHAIRPERSON: Thank you Ms Govender. Yes Ms Buthelezi.

ADV ZINHLE BUTHELEZI: Thank you Chair. Chair my first witness would be Ms Van Rensburg.

CHAIRPERSON: Please raise your voice.

ADV ZINHLE BUTHELEZI: Okay sorry Chair.

CHAIRPERSON: Thank you.

ADV ZINHLE BUTHELEZI: My first witness will be Ms Janse Van Rensburg. She is
10 the former Chair of the Denel board. She became a member of the Denel board from 2010 up until July 2015. Her evidence will cover her tenure as the Chairperson of the Denel board as well as a time when she was just a member of the board.

CHAIRPERSON: Yes.

ADV ZINHLE BUTHELEZI: And she will also deal with certain now controversial transactions that we became aware of. The LSA and we will also seek her views on the Denel Asia transaction.

CHAIRPERSON: Okay.

ADV ZINHLE BUTHELEZI: Yes.

CHAIRPERSON: That is fine.

20 **ADV ZINHLE BUTHELEZI:** May I ask that the witness be sworn in?

CHAIRPERSON: Yes. Registrar please administer the oath of affirmation?

REGISTRAR: Please state your full names for the record?

MS MARTIE JACOBA JANSE VAN RENSBURG: Martie Jacoba Janse Van Rensburg.

REGISTRAR: Do you have any objections to taking the prescribed oath?

MS MARTIE JACOBA JANSE VAN RENSBURG: None.

REGISTRAR: Do you consider the oath to be binding on your conscience?

MS MARTIE JACOBA JANSE VAN RENSBURG: Yes.

REGISTRAR: Do you swear that the evidence you will give will be the truth; the whole truth and nothing but the truth if so please raise your right hand and say, so help me God.

MS MARTIE JACOBA JANSE VAN RENSBURG: So help me God.

REGISTRAR: Thank you.

ADV ZINHLE BUTHELEZI: Thank you Chair. The relevant bundle for Ms Martie Van Rensburg evidence is bundle – it is Exhibit W2 I will also make reference to W5A and B.

10 **CHAIRPERSON:** I guess that we need to officially mark it as Exhibit 2.

ADV ZINHLE BUTHELEZI: Yes it is W2.

CHAIRPERSON: So the ...

ADV ZINHLE BUTHELEZI: It should be marked on the spine of the file.

CHAIRPERSON: Ja it is marked but we need to record that it is so marked. The lever arch file containing Ms Martie Van Rensburg's statement will be marked Exhibit 2.

ADV ZINHLE BUTHELEZI: Thank you Chair.

CHAIRPERSON: Thank you.

20 **ADV ZINHLE BUTHELEZI:** Ms Van Rensburg, Janse Van Rensburg in front of you you have three files. One marked W2 on its spine and the two others files which are reference file marked W5A and W5B. Thank you. Would you please place your employment and your qualifications to the record?

MS MARTIE JACOBA JANSE VAN RENSBURG: Thank you Chair.

CHAIRPERSON: Yes.

MS MARTIE JACOBA JANSE VAN RENSBURG: My current employment is I serve as a non-executive director on various boards. I have included it in my CV so if we go

through my CV we can note that.

CHAIRPERSON: Yes.

MS MARTIE JACOBA JANSE VAN RENSBURG: And I also do some independent work. Would you like to proceed through this CV Chair?

CHAIRPERSON: Just briefly not the whole CV just briefly.

MS MARTIE JACOBA JANSE VAN RENSBURG: Thank you Chair. It is included in Annexure or Exhibit 1 which is starting on page 20 of the bundle. I started my – my qualifications is I am a Chartered Accountant. I qualified in 1987 as a Chartered Accountant. My underlying degrees is a BCom from the University of Free State in
10 1997 and I have got a BCom Honours from Unisa in 1981. My executive work covered after I completed my articles in 1980 I worked in commerce for three years and then thereafter I moved to Deloitte in 1985 where I worked in the audit division from 1985 to 1987. I then worked at the Unisa I lectured as a lecturer on a post graduate level in the BCom Honours in Advanced Taxation and Applied Accounting – Auditing in 1988 to 1981.

CHAIRPERSON: 1988 to?

MS MARTIE JACOBA JANSE VAN RENSBURG: 1982 to sorry 1984.

CHAIRPERSON: Okay yes.

MS MARTIE JACOBA JANSE VAN RENSBURG: No 1991 sorry I need to go back.
20 My work process at Unisa was 1988 to 1991. Then I returned Deloitte where I worked in their consultancy division from 1992 to 1994. Then I joined the TCTA which is a state owned entity from 1994 to 1998 my role was the Chief Financial Officer and from 1998 to 2009 I was the Chief Executive of the TCTA. Then thereafter I joined various boards. I will give you a highlight on that that state owned boards or the public sector boards that I served on was the Airports Company from 2010 to 2012. Johannesburg Water

which is a municipal owned entity from the City of Johannesburg I was part of the advisory board. So my term there stretched from 2001 to 2006 and then a second term from 2009 to 2012 as Chairman. And I was on Denel as recorded here from 2010 to 2015 and the Development Bank of Southern Africa I was appointed in January 2016 to my first term ended in December 2018 and I have been recently reappointed with the term starting for my second term starting 1 April this year. My private sector boards that I served on was of note the NMI Group of Companies which was a complex group and it was for a term from 2009 to 2013 it had a footprint both in South Africa and in the SADC countries. My current public sector – private sector boards is Suparco Holdings
10 where I was appointed in 2016 to current and I am Chairman of the Audit Committee and member of the Remuneration and Nomination Committees. I am on Ition Limited I was appointed last year November 2018 to the board and then I do consultancy work where I deal with in a major financial institution I sit on the investment credit committee for Ashburton and the Credit Committee looking at international and structured and project finance for First Rand. I have been appointed and what is also a current board appointment to the Independent Regulatory Board for Auditors in 2000 May 2017 and I am currently still on the board there and I am Deputy Chairman of the board.

CHAIRPERSON: Thank you very much.

ADV ZINHLE BUTHELEZI: Thank you Chair. Chair may – I should apologise before
20 we go through your statement Ms Van Rensburg I want you to confirm that that document that appears on page 1 to page number 18 of Exhibit W2 is that the statement that you made for the commission?

MS MARTIE JACOBA JANSE VAN RENSBURG: It is;

ADV ZINHLE BUTHELEZI: And do you confirm the signature that appears on page 18 to be your signature?

MS MARTIE JACOBA JANSE VAN RENSBURG: Yes it is my signature.

ADV ZINHLE BUTHELEZI: Yes before I ask you to confirm the correctness of this document I want you to check if there are any corrections that you would like make on this documents?

MS MARTIE JACOBA JANSE VAN RENSBURG: Yes there is two corrections we would like make.

ADV ZINHLE BUTHELEZI: Please go ahead.

MS MARTIE JACOBA JANSE VAN RENSBURG: I would just like to take you to the page numbers or the paragraph numbers. The first one is a grammatical error that we
10 would like to fix. It is on paragraph 19. It is on page ...

ADV ZINHLE BUTHELEZI: It is on page MJ.

CHAIRPERSON: Page 5.

ADV ZINHLE BUTHELEZI: Yes 5 Chair.

MS MARTIE JACOBA JANSE VAN RENSBURG: Page 5 I just want to quickly get there. We need to delete a component there that I just would like to say is we need to say we need to delete the an. So the sentence should read: Whereas prior to 2011 significant effort was made, the 2011 board was highly successfully in its endeavours. So we delete the and, and insert a comma there. Then I would like to also take you...

CHAIRPERSON: Just hang on one second.

20 **MS MARTIE JACOBA JANSE VAN RENSBURG:** On paragraph 19 Chair.

CHAIRPERSON: Yes.

MS MARTIE JACOBA JANSE VAN RENSBURG: We need to...

CHAIRPERSON: Yes I have got it. I am just looking at the sense after the correction. You do not want to say what the significant effort was about?

MS MARTIE JACOBA JANSE VAN RENSBURG: Chair I will deal with it in the rest of

the paragraphs that is coming below that.

CHAIRPERSON: Okay.

MS MARTIE JACOBA JANSE VAN RENSBURG: So...

CHAIRPERSON: Yes continue.

MS MARTIE JACOBA JANSE VAN RENSBURG: And then...

CHAIRPERSON: The I would have put and something else besides something but it is okay it is your statement.

MS MARTIE JACOBA JANSE VAN RENSBURG: Thank you Chair. Then on Annexure MJVR5 which is on pages 52 to 53 to notes the changes...

10 **CHAIRPERSON**: I am sorry. Was that the only correction you wanted to make on the statement?

MS MARTIE JACOBA JANSE VAN RENSBURG: On the statement itself.

CHAIRPERSON: As such?

MS MARTIE JACOBA JANSE VAN RENSBURG: Yes.

CHAIRPERSON: Okay. And now you are going into annexures? Okay what page?

MS MARTIE JACOBA JANSE VAN RENSBURG: Yes. Page 52.

CHAIRPERSON: 32?

MS MARTIE JACOBA JANSE VAN RENSBURG: 52.

CHAIRPERSON: 52?

20 **MS MARTIE JACOBA JANSE VAN RENSBURG**: Yes. Chair the document that was originally submitted in the documents was marked Company Confidential so the best way to approach it was to actually make extracts from the document that is also public information and so we have – withdrawing the attachment to this covering letter itself and then put in 4 diagrams A, B, C, D and E so it is 5 diagrams from 52.2 to 53.6.

CHAIRPERSON: Okay let us make sure first that we are on the same page. Page 52

says Annexure MJVR5.

MS MARTIE JACOBA JANSE VAN RENSBURG: Yes. Page 53 what...

CHAIRPERSON: And then there is 52.1 up to 53.6 right is there something we should do in that document.

MS MARTIE JACOBA JANSE VAN RENSBURG: Chair I will refer in my statement to these documents.

CHAIRPERSON: Yes.

MS MARTIE JACOBA JANSE VAN RENSBURG: And so that is why I just need to highlight that we have withdrawn the written document.

10 **CHAIRPERSON**: Ja.

MS MARTIE JACOBA JANSE VAN RENSBURG: Because there was information including there that is company confidential.

CHAIRPERSON: Ja.

MS MARTIE JACOBA JANSE VAN RENSBURG: I can make the document available to the commission should you wish that the full document is made available.

CHAIRPERSON: Okay.

MS MARTIE JACOBA JANSE VAN RENSBURG: But the relevant information will be talked about in reference to these diagrams that has been attached.

20 **CHAIRPERSON**: Okay so you are not asking us to make any correction of this document as such?

MS MARTIE JACOBA JANSE VAN RENSBURG: This document itself but the bundles.

CHAIRPERSON: But you say – you say there – there is part of this document that is not included here.

MS MARTIE JACOBA JANSE VAN RENSBURG: Yes.

CHAIRPERSON: About which you will testify?

MS MARTIE JACOBA JANSE VAN RENSBURG: Yes.

CHAIRPERSON: Ja okay alright.

ADV ZINHLE BUTHELEZI: Thank you Chair. Chair if I may be of assistance paragraph 29 is the relevant paragraph dealing with this particular annexure.

MS MARTIE JACOBA JANSE VAN RENSBURG: Yes.

ADV ZINHLE BUTHELEZI: Yes and Ms Van Rensburg would you please also deal with Annexure 7 which is on page 56.

MS MARTIE JACOBA JANSE VAN RENSBURG: Okay. Annexure 7...

10 **CHAIRPERSON**: Well Ms Buthelezi you have just called her Ms Van Rensburg and I want to confirm whether it is Janse Van Rensburg that is the whole – that is the surname or only Van Rensburg is the surname?

MS MARTIE JACOBA JANSE VAN RENSBURG: Chair just to note.

CHAIRPERSON: I get confused sometimes.

MS MARTIE JACOBA JANSE VAN RENSBURG: My long surname has created lots of challenges before so that is why a lot of people just refer to me as Martie. But it is actually my married surname if Janse Van Rensburg.

CHAIRPERSON: That is – okay.

MS MARTIE JACOBA JANSE VAN RENSBURG: But you can refer to me as Marie,
20 Ms Van Rensburg or Ms Janse Van Rensburg it is fine.

CHAIRPERSON: No we will – we will not be that informal.

MS MARTIE JACOBA JANSE VAN RENSBURG: Yes.

CHAIRPERSON: Okay. Alright.

MS MARTIE JACOBA JANSE VAN RENSBURG: Oh, oh I would...

CHAIRPERSON: So it is Janse Van Rensburg and not Van Rensburg okay.

ADV ZINHLE BUTHELEZI: Thank you Chair.

CHAIRPERSON: Thank you.

ADV ZINHLE BUTHELEZI: Yes. If you may also deal with Annexure MJR7 it starts from...

MS MARTIE JACOBA JANSE VAN RENSBURG: Chair on this annexure MJR7

CHAIRPERSON: What page is that annexure?

MS MARTIE JACOBA JANSE VAN RENSBURG: It is page 57.

ADV ZINHLE BUTHELEZI: 57 yes.

CHAIRPERSON: Okay.

10 **MS MARTIE JACOBA JANSE VAN RENSBURG:** There was also company confidential information included into that document. We have redacted it.

CHAIRPERSON: Yes.

MS MARTIE JACOBA JANSE VAN RENSBURG: In order to substantiate to protect the information but the rest of the information I will talk to when I talk around partnerships.

CHAIRPERSON: That is fine.

MS MARTIE JACOBA JANSE VAN RENSBURG: Thank you.

20 **ADV ZINHLE BUTHELEZI:** Thank you. Thank you Chair. Chair this document also if Chair would like to have the copy that is not redacted. We are in possession of the document.

CHAIRPERSON: Okay, alright thank you.

ADV ZINHLE BUTHELEZI: Thank you. Ms Janse Van Rensburg your qualifications how was – were it relevance to Denel's Audit and Risk Committee?

MS MARTIE JACOBA JANSE VAN RENSBURG: Thank you. My background in the auditing profession as well as my exposure to commercial enterprises as well as state

owned enterprises put me in place to be able to participate and to chair the audit and risk committee in a manner that we would be able to match the skills that sits in both in management as well as in your internal and external audit. So that is why it is important that audit committees have the right and board compositions and the right skills in place to be able to execute its oversight function in such a manner that they can interrogate the information that is presented to them appropriately.

ADV ZINHLE BUTHELEZI: Thank you. From page 3 paragraph 10 of your statement you start dealing with a brief history of Denel. Would you please give us that brief history?

10 **MS MARTIE JACOBA JANSE VAN RENSBURG:** Yes Chairman I was asked to also give a brief history of Denel although it started long before my tenure as a board member in 2010.

CHAIRPERSON: Yes.

MS MARTIE JACOBA JANSE VAN RENSBURG: But just to note that Denel was incorporated as a company in 1992 following the restructuring of Armscor. The functions was split between Denel in the manufacturing capability and Armscor as the procurement arm of the SADNF. The objective of the newly incorporated Denel was to conduct all the – of the production and manufacturing activities previously conducted by Armscor. Between 1992 and 2000 with the advent of th 1998 White Paper on Defence
20 the equipping of the South African National Defence Force was restructured as a result
...

CHAIRPERSON: Well I am sorry Ms Janse Van Rensburg.

MS MARTIE JACOBA JANSE VAN RENSBURG: Yes.

CHAIRPERSON: Ms Buthelezi maybe it is just enough if she confirms that what she has written there under the brief history is correct as far as she knows and she could go

to 2011.

ADV ZINHLE BUTHELEZI: Thank you.

CHAIRPERSON: To page 4 paragraph 16 because it is non-controversial material that she is talking about that history is non-controversial.

ADV ZINHLE BUTHELEZI: Thank you.

CHAIRPERSON: Is that alright?

ADV ZINHLE BUTHELEZI: My Lord I would just like – would like to highlight what she said.

CHAIRPERSON: Yes.

10 **ADV ZINHLE BUTHELEZI**: On paragraph 11.

CHAIRPERSON: Okay.

ADV ZINHLE BUTHELEZI: You – on paragraph 11 you talk of cumbersome in unprofitable obligations that affected Denel in [indistinct] which had a negative effect on it. Would you please just expand on that issue only then we will move to paragraph 16.

MS MARTIE JACOBA JANSE VAN RENSBURG: Chair I will shorten the component at the report on that.

CHAIRPERSON: Yes.

20 **MS MARTIE JACOBA JANSE VAN RENSBURG**: With the restructuring the business operation was not necessarily profitable and I am aware some previous testimony here at the Zondo Commission also dealt with the loss making of Denel.

CHAIRPERSON: Yes.

MS MARTIE JACOBA JANSE VAN RENSBURG: Over a number of years.

CHAIRPERSON: Yes.

MS MARTIE JACOBA JANSE VAN RENSBURG: One of the obligations that Denel also had was coming from the arms procurement transaction where there is offset

agreements and they were in the Denel aero structures producing components for the airbus aircraft the airbus 400M which was not done on a profitable basis and it actually also let to a drain on the resources of Denel because those type of activities included for instance the full development phase, the proof of concept, the testing of it and then the commercialisation of that. So if we look at some of the weak performance areas it was an ongoing process that drained the finances of Denel. If I can refer to that? And then I think what I would like to highlight also in the period of 2000 the restructuring of Denel that took place.

ADV ZINHLE BUTHELEZI: Yes.

- 10 **MS MARTIE JACOBA JANSE VAN RENSBURG:** Specifically around 2005 to 2009 because that is where a lot of the strategic equity partnerships was also put in place. Where portions of the business was opened up for equity partnerships by Global Equipment Manufacturers and the principles that was supplied on how we actually – that that return around process was was managed was also then based on criteria where you looked at complimenting synergies, global market access, global best practice that these equity partners needed to bring and unique and compatible IP. They were also required to spend a certain amount on capitalisation of bettering the facilities because it is not just processes but we also have to improve manufacturing equipment and processes around that. So just to note that there was before equity partnerships in
- 20 place in Denel and it was done on a certain set of principles around it. Just to note the Department of Public Enterprises did a review of the Denel Equity Partnerships in 2014 so should you wish to have more information around it you can actually access that information from Denel.

CHAIRPERSON: Yes. Yes.

MS MARTIE JACOBA JANSE VAN RENSBURG: Ag from the Department of Public

Enterprises.

CHAIRPERSON: Yes. No otherwise Mr Buthelezi I think what is more important is for her to tell us what kind of Denel they found when she became a member of the board and whatever history that is relevant to how they found it that is relevant because of decisions that they would have taken. So...

MS MARTIE JACOBA JANSE VAN RENSBURG: Thank you.

ADV ZINHLE BUTHELEZI: Thank you Chair. You then from paragraph 16 of you statement which is on page 4 you deal with Denel's performance from the year 2011 to 2015. On the first paragraph you deal with the appointment of the CEO.

10 **MS MARTIE JACOBA JANSE VAN RENSBURG:** Ja.

ADV ZINHLE BUTHELEZI: That is Mr Riaz Saloojee. Were you the part of the interviewing panel?

MS MARTIE JACOBA JANSE VAN RENSBURG: Maybe just I will start with paragraph 14 because just to note when I joined the board in 2010.

ADV ZINHLE BUTHELEZI: Yes.

MS MARTIE JACOBA JANSE VAN RENSBURG: The strategy was aimed at improving revenue optimising efficiency and cost as well as leadership and transformation. I pause to mention this as indicated earlier because at that stage I was appointed at the AGM in August 2010 and then a new board was then appointed also in
20 2011 which then comprised of various new board members that brought a variety of skills and we referred that to the 2011 board. If we look at the performance of Denel if I go to paragraph 16.

ADV ZINHLE BUTHELEZI: Yes.

MS MARTIE JACOBA JANSE VAN RENSBURG: The performance of Denel after 2011 when the new board came on board the board was tasked with a recruitment of

the new Group CEO as the incumbent CEO indicated that he did not want to renew his contract. Mr Riaz Saloojee was appointed as a Group CEO under the leadership of Mr Saloojee and the 2011 board revised the prevailing strategy to focus on growing revenue optimising cost and optimal management and productivity of efficiency. And just to say the focus on growing revenue was also required because you cannot turn around an organisation if you cannot increase the order book and convert that order book into revenue. The 2011 board realised.

CHAIRPERSON: I am sorry Ms Janse Van Rensburg.

MS MARTIE JACOBA JANSE VAN RENSBURG: Yes.

- 10 **CHAIRPERSON:** In paragraph 16 where you say under the leadership of Saloojee the 2011 board revised prevailing strategy. My impression is that it creates the impression as if Saloojee was the Chairperson of the board, the leader of the board. I do not think that is what you intend?

MS MARTIE JACOBA JANSE VAN RENSBURG: No I do not intend to do that.

CHAIRPERSON: Yes.

MS MARTIE JACOBA JANSE VAN RENSBURG: Chair.

CHAIRPERSON: So with him as the Group CEO maybe that is what you meant he had a role to play an important role to play but he was not leading the board.

MS MARTIE JACOBA JANSE VAN RENSBURG: Yes Chair.

- 20 **CHAIRPERSON:** Yes.

MS MARTIE JACOBA JANSE VAN RENSBURG: Just to say that strategy development is a very close relationship between the executive management of the organisation and the board. So the executive management does the hard work, digging and come up with proposed strategies which the board then deliberate on and actually jointly with management go into the direction itself. So under the management

leadership side...

CHAIRPERSON: Maybe under the guidance?

MS MARTIE JACOBA JANSE VAN RENSBURG: Under the management leadership

[indistinct]

CHAIRPERSON: Ja that he led ja.

MS MARTIE JACOBA JANSE VAN RENSBURG: Executive leadership side.

CHAIRPERSON: Yes.

MS MARTIE JACOBA JANSE VAN RENSBURG: But from the board side we also gave some guidance in the evaluation of the strategy and enhancement of the strategy

10 and the Chairman of the board at that stage was a Mr Zoli Kunene.

CHAIRPERSON: Yes. Okay thank you.

ADV ZINHLE BUTHELEZI: Thank you Chair. Then from paragraph 27 you talk of the realisation of the success in the strategy that you adopted. Perhaps you should turn over to page 5 there is a graph that you have

MS MARTIE JACOBA JANSE VAN RENSBURG: Yes.

ADV ZINHLE BUTHELEZI: 5 yes. The next page there is a graph that you have included on page 5 which explains what you talk about in paragraph 17. Can you take us through the graph?

20 **MS MARTIE JACOBA JANSE VAN RENSBURG**: The graph on page 5 actually indicates that through the period of time Denel was capable of growing the order book to a level of 35 billion confirmed orders.

ADV ZINHLE BUTHELEZI: I am sorry Ms Janse Van Rensburg. Chair there is better copy of this graph on page 83 of the bundle.

CHAIRPERSON: Okay no that is fine thank you.

ADV ZINHLE BUTHELEZI: Thank you.

CHAIRPERSON: I can – I think I can see here. Okay alright.

ADV ZINHLE BUTHELEZI: You may proceed Ms Janse Van Rensburg.

MS MARTIE JACOBA JANSE VAN RENSBURG: Okay. Right. To grow the order book to about 35 billion which was confirmed orders and just to know when we refer to an order book it is orders that will be executed over a number of years because the type and nature of the contracts that you are entering into is multi-year contracts. So the revenue would flow in the very different year. Some of the contracts it is a five year contract or even longer. So we just need to note that. That revenue is not all recognised in the year you sign the order.

10 **ADV ZINHLE BUTHELEZI:** Yes. But the – sorry Ms Janse Van Rensburg but these were confirmed orders?

MS MARTIE JACOBA JANSE VAN RENSBURG: These were confirmed orders.

ADV ZINHLE BUTHELEZI: Okay you may proceed.

MS MARTIE JACOBA JANSE VAN RENSBURG: That would be executed then over the next five years. And then what we – significant opportunities that was not confirmed in orders but were explored that was waiting in the wings was another 40 billion. Denel's strategic markets has expanded to the Middle East, the rest of Africa, South America and the Far East. The revenue line which is the green line that you will see has grown then over the period of time to a revenue line of above 5 billion per annum.

20 **ADV ZINHLE BUTHELEZI:** So in 2015 it was at 5 billion?

MARTIE JACOBA JANSE VAN RENSBURG: It was in 2015, it was at 5 billion.

ADV ZINHLE BUTHELEZI: Yes, but the growth is noticeable from 2010 going forward. That green line is going

MARTIE JACOBA JANSE VAN RENSBURG: Ja, from 2010 it grew from about 4 billion.

ADV ZINHLE BUTHELEZI: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: 4.5 billion to over 5 billion that helped Denel in the process grow the top line. You would see that some years in that period that we have had weaker performance than others.

ADV ZINHLE BUTHELEZI: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: Around it to be able, because some of the projects were in a product development phase which had lower income streams in that period.

ADV ZINHLE BUTHELEZI: Thank you. In paragraph 18 you compare the historical
10 losses that Denel used to experience.

MARTIE JACOBA JANSE VAN RENSBURG: I think.

ADV ZINHLE BUTHELEZI: This is what was happening now between the year 2011 and 2015. Can you also take us through the graph that is appearing at paragraph 18?

MARTIE JACOBA JANSE VAN RENSBURG: Ja. At paragraph 18 this historical graph indicates that over the past 10 years that up to 2010 Denel was loss making and I need to note that there was, the loss making was quite large. It was nearly 1.5 billion in 2005 and it started to turn into small profits from 2011 onwards. I need to note that Denel was still busy with its turnaround program. So we were looking at a turnaround program till about 2018 to be able to realise the benefits of the strategy itself. I need to
20 note that Government at this stage in 2005 when Denel was making such continued losses had agreed to recapitalise Denel and the calculation what was required of how much money was required to recapitalise Denel was 5.2 billion and the amount of money that was made available in National Fiscus transfers to Denel over the period 2005 to 2008 was R3.5 billion and the rest of the capital that would be required needed to be borrowed by Denel in the capital markets and that also gave rise to Denel

participation in the capital markets and the issuance of the Government guarantee of 1.85 billion. The balance sheet of Denel was still in a recovery phase. So in 2011 Denel engaged again with National Government which is the Department of Public Enterprises and National Treasury around filling the gap in the rest of the recapitalisation because you would see at that stage we were just entering a state where small profits were made.

ADV ZINHLE BUTHELEZI: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: That and the justification was that if the shortfall and the capitalisation could be met that it would result in a saving of 120 million per annum more or less that you could add to the bottom line so Denel would be financially more healthy at that stage. However that capitalisation did not take place. So that is why Denel then needed to make profits that you slowly bought the equity again.

ADV ZINHLE BUTHELEZI: Hm.

MARTIE JACOBA JANSE VAN RENSBURG: To be able to create a healthier balance sheet over the period of time and it was a slow process. The reason why you could not release the Government guarantee necessarily because the markets took comfort from Government standing behind Denel. To note a Government guarantee is not giving money. It is saying if you fail to pay we would actually step in into your shoes to make good to the people who made money available to you. So I think that is just important to note. As I mentioned earlier a big drain on Denel's performance was that Denel Aerostructures losses that were made on the A400N Contract that they were manufacturing.

ADV ZINHLE BUTHELEZI: Hm.

MARTIE JACOBA JANSE VAN RENSBURG: Maybe if I then go on to paragraph 19.

ADV ZINHLE BUTHELEZI: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: This is just where I refer Chair to say that we have started to realise fruits of the labour, but we are not out of the woods yet around the turnaround strategy as a Denel company, but Denel also won a number of awards and a lot of the awards were also relating to a well governed state owned entity and.

ADV ZINHLE BUTHELEZI: Was it around the same time period, 2011 to 2015?

MARTIE JACOBA JANSE VAN RENSBURG: Ja, in that period of 2011 to 2015. Denel also received a positive comment from the Minister during her budget votes as well as at the, when she addressed the media at the Denel AGMs and we can make available the Minister's budget speech because if I have a copy here of Minister Lynne Brown's budget speech of 15 May 2015.

ADV ZINHLE BUTHELEZI: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: We.

CHAIRPERSON: Hang on one second. In paragraph 20 you say Denel received many accolades from the Minister during her budget, wrote speeches in Parliament. Was the Minister of Public Enterprises before 2014 not Mr Gigaba?

MARTIE JACOBA JANSE VAN RENSBURG: Yes, it was.

CHAIRPERSON: Hm. So.

20 **MARTIE JACOBA JANSE VAN RENSBURG:** We also received positive.

CHAIRPERSON: So the.

MARTIE JACOBA JANSE VAN RENSBURG: Comments from Minister Gigaba.

CHAIRPERSON: Ja. Okay, you received from both?

MARTIE JACOBA JANSE VAN RENSBURG: Ministers.

CHAIRPERSON: Him as well as Minister Lynne Brown after she was appointed in

2014?

MARTIE JACOBA JANSE VAN RENSBURG: Yes Chairman.

CHAIRPERSON: Okay, alright. Thank you.

MARTIE JACOBA JANSE VAN RENSBURG: I will read to you a comment in the 2015 budget speech where she said:

“Denel continues to show pleasing improvement in financial performance. Over 50 percent of revenues were derived from its international business. The order book stands at over 33 billion. The revenue is expected to exceed 5.5 billion.

10 Preliminary numbers suggest that more than...”

CHAIRPERSON: Sorry. Are you reading from a document that is here or is it separate?

MARTIE JACOBA JANSE VAN RENSBURG: No, I am reading from a document that we can make available. This is the Minister.

CHAIRPERSON: Oh, is that the budget speech?

MARTIE JACOBA JANSE VAN RENSBURG: It is Minister.

CHAIRPERSON: Not budget speech, budget vote speech?

MARTIE JACOBA JANSE VAN RENSBURG: Budget vote speech, yes.

CHAIRPERSON: Okay. For which year?

20 **MARTIE JACOBA JANSE VAN RENSBURG:** 2015/2016.

CHAIRPERSON: Okay, alright.

MARTIE JACOBA JANSE VAN RENSBURG: The date of it is 15 May 2015.

CHAIRPERSON: Okay, alright. Thank you.

ADV ZINHLE BUTHELEZI: I will make that copy available to the Chair. Thank you.

MARTIE JACOBA JANSE VAN RENSBURG: And the last item that she also referred

to there was:

“Preliminary numbers suggest more than 200 million in net profit after tax. Denel Aerostructures is on a course to achieve break even in the next financial year. Denel cash facilities improved on a scale with allows the company to mitigate against any liquidity risk. In addition banks have also granted Denel 10 billion in facilities on the strength of the company’s balance sheet. Thank you Denel. That is music to my ears. Maybe we should second your CEO to Eskom as well.”

10 **ADV ZINHLE BUTHELEZI**: That was Minister Lynn Brown?

MARTIE JACOBA JANSE VAN RENSBURG: Ja, in her budget speech.

ADV ZINHLE BUTHELEZI: Thank you.

CHAIRPERSON: And that was 2015?

MARTIE JACOBA JANSE VAN RENSBURG: That was 2015 Chair.

CHAIRPERSON: Hm, okay.

ADV ZINHLE BUTHELEZI: Yes. From paragraph 21 you deal with the Board Evaluation Report that was conducted by Deloitte?

MARTIE JACOBA JANSE VAN RENSBURG: Yes. Just to note.

ADV ZINHLE BUTHELEZI: Yes.

20 **MARTIE JACOBA JANSE VAN RENSBURG**: Chairman the full report for 2015 review is included from page 23 onwards.

ADV ZINHLE BUTHELEZI: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: I am going to highlight a few items out of that, but what I can also make available should the Commission require it.

ADV ZINHLE BUTHELEZI: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: Is the 2014 Board Evaluation Report.

CHAIRPERSON: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: Because in terms of the protocol on Governance for State Owned Entities.

CHAIRPERSON: Ja.

MARTIE JACOBA JANSE VAN RENSBURG: That was issued in 2002 by the Department of Public Enterprises.

CHAIRPERSON: Hm.

MARTIE JACOBA JANSE VAN RENSBURG: The Boards need to, actually under
10 Clause 517 the Board should do annual performance reviews around it.

CHAIRPERSON: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: So every year there was a performance review done.

CHAIRPERSON: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: So the performance can be track of Boards.

CHAIRPERSON: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: And then secondly I can also make available the 2014 review which I have.

20 **CHAIRPERSON:** Yes, please do so.

MARTIE JACOBA JANSE VAN RENSBURG: In my possession.

CHAIRPERSON: Hm.

ADV ZINHLE BUTHELEZI: Yes. Just you said there are some areas that you would like to highlight on this report.

MARTIE JACOBA JANSE VAN RENSBURG: Yes. On this report I just need to say

that the 2015 on Clause 21 on page 5 that the conclusion of the review by Deloitte in 2015 it was found as a highly effective Board both in providing the necessary oversight as well as direction to Denel and if I go now to the annexure.

ADV ZINHLE BUTHELEZI: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: I will take you to the specific pages on the overall conclusion. Let me just get quickly to that page.

ADV ZINHLE BUTHELEZI: Is it page 33, the Executive Summary?

MARTIE JACOBA JANSE VAN RENSBURG: Executive Summary is page 33. Chair on pages 33 and 34 you would see that it was the overall assessment, the Executive
10 Summary on that specific page.

ADV ZINHLE BUTHELEZI: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: And the one, two, three, I think there are two things that I would highlight to you is that the Board was functioning in an effective manner.

ADV ZINHLE BUTHELEZI: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: That is the third paragraph from the top, because it mentions the fact that we were a transitional Board really, because our term was just extended for another year at the 2014 AGM. It also deals with the, in paragraph 4 that there is a proper distinction between the Board role and the authority
20 and management role and authority. In other words we stick to the functioning of the oversight and strategic direction of the Board and we left management to do the Executive work and then the Board, the next paragraph deals with the Board Committees who were functioning effectively and efficiently and they reported back at the Board Meetings itself, the main Board Meetings and then also you would see the fourth paragraph from the bottom that the Board Assessment was also complimentary

on the support provided by the Company Secretary.

ADV ZINHLE BUTHELEZI: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: There were areas for consideration that was included in there and I think what I would also like to note there was that most of the Directors believed that we need to increase the formally qualified financial and auditing skills.

ADV ZINHLE BUTHELEZI: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: As well as defence skills. So there is a gap that we could fill in the new Board according to that because if you go back I was
10 the only qualified CA on the Board itself and then some of the Directors commented also that the Board is overweight on legal skill.

ADV ZINHLE BUTHELEZI: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: And then one Director commented also that gender representation could be improved.

ADV ZINHLE BUTHELEZI: Yes and Ms Janse Van Rensburg if I may also refer you to page 41 of the bundle that is when the evaluation of the Audit and Risk Committee was recorded?

MARTIE JACOBA JANSE VAN RENSBURG: Yes Chair.

ADV ZINHLE BUTHELEZI: Yes. The last paragraph there could you please read that
20 last paragraph into the record?

MARTIE JACOBA JANSE VAN RENSBURG: The last [intervenes].

ADV ZINHLE BUTHELEZI: Those are the [intervenes] there of the auditors.

MARTIE JACOBA JANSE VAN RENSBURG: Okay. The last paragraph also then raised a concern or the improvement that can be done in the next Board composition, when we look at the Board composition going forward. That we can add on additional

skills in the financial side, but that also then that last paragraph says that:

“They also noted that there is only one person on the Audit and Risk Committee who has got a formal financial qualification. Although the other Directors are financially astute and apply good financial judgment this concern was raised during the interviews with Directors. It was also noted that no second opinion is obtained with regards to accounting and auditing matters. So it would be beneficial for the Committee to appoint an additional member with financial qualifications.”

- 10 **ADV ZINHLE BUTHELEZI:** Yes and if they say financial qualification. What sort of qualification are we talking about here?

MARTIE JACOBA JANSE VAN RENSBURG: The qualification.

ADV ZINHLE BUTHELEZI: Will a BCom Degree qualify as a financial qualification?

MARTIE JACOBA JANSE VAN RENSBURG: BCom Degree is a good start as a financial qualification.

ADV ZINHLE BUTHELEZI: Yes.

- MARTIE JACOBA JANSE VAN RENSBURG:** But as I mentioned earlier on that you are dealing with Chartered Accountants both in your Executive Management as well as in your internal audit as well as in your external audit. So to be on par with a debate to
20 be able to interrogate the information that was placed on the table it would be helpful and it is actually required in my opinion that you should have a Chartered Accountant on that Audit and Risk.

CHAIRPERSON: Would a reference to a requirement for a financial qualification normally be regarded as somebody who is a Chartered Accountant generally speaking in company Boards and so on?

MARTIE JACOBA JANSE VAN RENSBURG: Chairman in my experience base where I have served on company Boards as well as in other companies that I observed is yes. A Chartered Accountant.

CHAIRPERSON: That is what one would be talking about?

MARTIE JACOBA JANSE VAN RENSBURG: A Chartered Accountant.

CHAIRPERSON: Yes. Who prepared this review?

MARTIE JACOBA JANSE VAN RENSBURG: Chairman this review is done by an external party. Deloitte was retained to do the 2014 and 2015 [intervenes].

CHAIRPERSON: So it would be done by an external firm of auditors and so on?

10 **MARTIE JACOBA JANSE VAN RENSBURG:** Yes. You can use an external firm of auditors. There is more than one service provider in the market.

CHAIRPERSON: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: That does this. The Institute of Directors for instance also do Board Assessments.

CHAIRPERSON: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: Or you could use audit firms that specialises governance reviews.

CHAIRPERSON: Yes and once it has been prepared obviously it is given to the Board, but is it given to the Executive Authority as well in the case of an SOE?

20 **MARTIE JACOBA JANSE VAN RENSBURG:** Chair the.

CHAIRPERSON: Like the Minister?

MARTIE JACOBA JANSE VAN RENSBURG: Chair the process usually is that they base the process when they actually do the review. The focus of the review is agreed with the Company Secretary and the Chairman of the Board, but usually it covers all aspects. It is just usually if you look at the scope of the review to increase any specific

requirements if you want to add on. Then when the process in which they execute it. It is a combination of questionnaires and interviews. The external party then conducts interviews with the Board Members, individual Board Members and individual Board Members complete questionnaires.

CHAIRPERSON: Yes. No, I understand that. I am.

ADV ZINHLE BUTHELEZI:

MARTIE JACOBA JANSE VAN RENSBURG: And then after that.

CHAIRPERSON: Hm.

ADV ZINHLE BUTHELEZI:

- 10 **MARTIE JACOBA JANSE VAN RENSBURG:** The report is then handed back to the company and the Company Secretary sends it through the Shareholder Department which in this case is the Department of Public Enterprises.

CHAIRPERSON: So it would be directed to the department/

MARTIE JACOBA JANSE VAN RENSBURG: Yes.

CHAIRPERSON: And I imagine that the Minister would be the primary target.

MARTIE JACOBA JANSE VAN RENSBURG: Yes.

CHAIRPERSON: In terms of the person who should be aware of the report?

MARTIE JACOBA JANSE VAN RENSBURG: Yes.

- 20 **CHAIRPERSON:** And then obviously the Board also is given the report as well or not really?

MARTIE JACOBA JANSE VAN RENSBURG: The Board is also, yes the report is shared with the.

CHAIRPERSON: The Board and the?

MARTIE JACOBA JANSE VAN RENSBURG: The results with the Board.

CHAIRPERSON: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: Because there is usually a discussion specifically where you identify areas.

CHAIRPERSON: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: Of improvement.

CHAIRPERSON: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: And then if you do individual Director assessments because we also do peer reviews, those results are shared with the Chairman of the Board and the Chairman then shares those results individually with the Directors individually.

10 **CHAIRPERSON:** Thank you.

ADV ZINHLE BUTHELEZI: Thank you. Ms Janse Van Rensburg would you please also turn to page 32 of the report.

MARTIE JACOBA JANSE VAN RENSBURG: Yes.

ADV ZINHLE BUTHELEZI: Yes. Those were the recommendations.

MARTIE JACOBA JANSE VAN RENSBURG: Hm.

ADV ZINHLE BUTHELEZI: Would you please also pace those on record?

CHAIRPERSON: Is 32 of the report or 32 of?

ADV ZINHLE BUTHELEZI: 32 of the.

CHAIRPERSON: The exhibit?

20 **ADV ZINHLE BUTHELEZI:** Of the exhibit, yes.

CHAIRPERSON: Okay.

MARTIE JACOBA JANSE VAN RENSBURG: Page?

ADV ZINHLE BUTHELEZI: It is page 10 of the report.

MARTIE JACOBA JANSE VAN RENSBURG: Page 10 of the report?

ADV ZINHLE BUTHELEZI: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: “The effective and timely implementation of the recommendations by the Board and management is important for maintenance of a reliable governance and internal control system.”

ADV ZINHLE BUTHELEZI: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: Is it that portion?

ADV ZINHLE BUTHELEZI: Yes that portion. Does it suggest that the Minister will have sight of this report?

MARTIE JACOBA JANSE VAN RENSBURG: Yes.

10 **ADV ZINHLE BUTHELEZI:** Okay. You may proceed from paragraph 22 you deal with this later on when you deal with the removal of the 2015.

MARTIE JACOBA JANSE VAN RENSBURG: So I [intervenes] in the document with the removal of [intervenes].

ADV ZINHLE BUTHELEZI: Yes, but now let us move to 23 where you deal with the financial position of Denel as at 2015.

MARTIE JACOBA JANSE VAN RENSBURG: Yes Chairman. If I just continue with the financial performance.

ADV ZINHLE BUTHELEZI: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: Was then as I said we just go in a little
20 bit more detail which is on the specific annexures, but where we say:

“...is as demonstrated by the 35 billion order as in 2015 and the preceding five years of profitability.”

Those are the graphs that we referred to in paragraphs 18 and 19.

ADV ZINHLE BUTHELEZI: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: I also attached a copy of the group's

balance sheet which is in annexure MJVR3 which is on page.

ADV ZINHLE BUTHELEZI: It is on page 50.

MARTIE JACOBA JANSE VAN RENSBURG: 50?

ADV ZINHLE BUTHELEZI: 49, page 49.

MARTIE JACOBA JANSE VAN RENSBURG: Page 49?

ADV ZINHLE BUTHELEZI: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: And I think the only item that I would like to highlight there are two old items and it goes to the business model of Denel on how we operated.

10 **ADV ZINHLE BUTHELEZI:** Yes.

MARTIE JACOBA JANSE VAN RENSBURG: If you look under assets there are two parts. If you look at one, two, three, four, let me just have a look. If we go to cash and short term deposits which is from under assets the fourth last item. We mentioned that Denel had 1.9 billion of cash in the bank at that stage.

ADV ZINHLE BUTHELEZI: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: Just to note some of that cash was earmarked and ring-fenced for future contracts, because the way you conclude contracts for this long term contracts that you need to develop and then procure certain groups and services. There is an advanced payment included in that the customer
20 makes. So those cash included in, which is ring-fenced in there then will be applied towards that contract specifically. So we call it ring-fenced cash, because it must only apply to that. So although it looked like we had quite a lot of, or Denel had quite a lot of cash to redeem its debt it was earmarked for future projects as it was rolled out. I think that is the main item that I would like to indicate, because we do, we also under equity and liabilities I can just say the total equity been a Denel standard stood at 1.9 billion at

2015.

ADV ZINHLE BUTHELEZI: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: If you look under equity and liabilities it is the one, two, three, four, fifth, sixth line.

ADV ZINHLE BUTHELEZI: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: But you would see we were still working down. The line above that is R4.2 billion loss that we were working down from the accumulated losses that were made in prior years.

ADV ZINHLE BUTHELEZI: Hm, and on the next annexure is there anything you would
10 like?

MARTIE JACOBA JANSE VAN RENSBURG: Annexure MJVR4.

ADV ZINHLE BUTHELEZI: It is at page 51.

MARTIE JACOBA JANSE VAN RENSBURG: I just deal quickly on page 51. The item I would like to highlight there was on this consolidated statements of cash flows. It says taken from the published annual report.

ADV ZINHLE BUTHELEZI: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: What I would like to highlight is the top line, first line that we said:

“Net cash flows from operating activities was 220 million.”

20 So it means that we did generate cash from our operating activities which was in contrast to years prior to 2011.

ADV ZINHLE BUTHELEZI: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: Where we did not necessarily generated cash from our activities.

ADV ZINHLE BUTHELEZI: Yes and MJVR5?

MARTIE JACOBA JANSE VAN RENSBURG: Chair if I then go to the, I just, before I go to MJVR5.

ADV ZINHLE BUTHELEZI: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: I think I would rather prefer to go to the graph on the statement itself. It is the table on page 7 under item 26. Item 26 in the main statement on page 7. This is a forward.

CHAIRPERSON: Yes that is the one on paragraph 26 at page 7?

MARTIE JACOBA JANSE VAN RENSBURG: Yes, 26.

CHAIRPERSON: *Ja.*

- 10 **MARTIE JACOBA JANSE VAN RENSBURG:** That is the forward looking forecast that was included in the corporate plan that Denel submitted February 2015 to the Department of Public Enterprises.

ADV ZINHLE BUTHELEZI: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: Looking forwards on how that order book and then the strategies and activities of Denel is forecasted to be able to bring in revenue profit as well what the equity position would be and what the cash position would be. To note number one is this cash flow forecast or this projected performance did not include the acquisition of what is now known as DVS, Denel Vehicle Systems.

ADV ZINHLE BUTHELEZI: Yes.

- 20 **MARTIE JACOBA JANSE VAN RENSBURG:** Or the Land Systems SA that was bought from BAE, because at that stage the transaction was not fully concluded. In February 2015 there was still outstanding matters and one of them that important was the PFMA approval that was only issued in April 2015.

ADV ZINHLE BUTHELEZI: So if those two transactions were included the figures here would be higher than would be [intervenes]?

MARTIE JACOBA JANSE VAN RENSBURG: *Ja.* So the reason why I note that so then to say is that if you look for instance 2015/2016 revenue was 6.3 billion.

ADV ZINHLE BUTHELEZI: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: In the forecast year. If you would have added at that stage the planned revenue for Denel Vehicle Systems of around 1.3 billion you probably would have then realised for that full financial year roundabout 7.7 billion of revenue which is then forecasted and you would have realised also a different profit number that as closer to, I have got this somewhere here. I can quickly give you the sum. It would have given you a profit of roundabout 400 million after the
10 transaction was concluded assuming 100 percent ownership of BAE, but we will get to the discussion around land systems at a later stage, but just to highlight that was on the forecasted information that was included in our corporate plan.

ADV ZINHLE BUTHELEZI: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: Covering the period 2015/2016 to 2019/2020 Denel was still on a path of improved performance, improved liquidity. So that is the main item that I would like to highlight there.

ADV ZINHLE BUTHELEZI: Yes and on Annexure MJVR5 which appears from page 53, 3.1 to 53.6?

MARTIE JACOBA JANSE VAN RENSBURG: Okay. Are we getting now to the
20 component of the information that was included in our handover report?

ADV ZINHLE BUTHELEZI: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: So the Handover Report obviously included some of the information you would see, the strategy information.

ADV ZINHLE BUTHELEZI: Is that the information that is covered in paragraph 28 of your statement?

MARTIE JACOBA JANSE VAN RENSBURG: 28.

ADV ZINHLE BUTHELEZI: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: Okay. So there we start with paragraph 28.

ADV ZINHLE BUTHELEZI: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: The full narrative component around it. So Chair I need your guidance if you want me, it is written up in quite a lot of detail here. I can just broadly touch on it.

CHAIRPERSON: Yes you can tell us the important features.

10 **MARTIE JACOBA JANSE VAN RENSBURG:** Okay.

CHAIRPERSON: *Ja.*

MARTIE JACOBA JANSE VAN RENSBURG: Right. If you look at the, the one item we have left out on the performance Chair that I just need to check.

CHAIRPERSON: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: Was also our performance against out KPIs.

CHAIRPERSON: Yes.

ADV ZINHLE BUTHELEZI: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: Would you like me to go there?

20 **CHAIRPERSON:** Yes.

MARTIE JACOBA JANSE VAN RENSBURG: Before I?

CHAIRPERSON: Just deal with it, yes.

MS MARTIE JACOBA JANSE VAN RENSBURG: I go into the Handover Report.

CHAIRPERSON: Yes let's do that.

MS MARTIE JACOBA JANSE VAN RENSBURG: It's included in MJVR6 which is on

page 55.

ADV ZINHLE BUTHELEZI: Yes.

MS MARTIE JACOBA JANSE VAN RENSBURG: Chair if you look at our KPI's, Denel has met all but three of the key performance indicators that was agreed in the shareholders compact for the specific year. The areas where we did not meet the KPI was the cell phone research and development as a percentage of revenue of – we contracted for 3%, we achieved 2%, just to note if you look at the amount budgeted for research and development that money was spent but the denominator if you do the sum, changed, it became more and that we need to note was research and
10 development that was only funded by Denel, we had limited financial resources and it excludes the research and development that clients pay for, so there's also research and development that takes place that we – that was paid for by clients.

ADV ZINHLE BUTHELEZI: Yes, in fact this Annexure MJVR6 if it can be read with paragraph 38 of the bundle because some of the concerns were raised by Minister in that paragraph.

MS MARTIE JACOBA JANSE VAN RENSBURG: Would you prefer me to complete it here Chairman or would you like me to complete under paragraph 38?

CHAIRPERSON: I think we should just highlight some features here in MJVR6 but I can just see that most of the contracted targets were exceeded and in some cases
20 were exceeded by far.

MS MARTIE JACOBA JANSE VAN RENSBURG: That is.

CHAIRPERSON: In relation to security of supply and retention of capabilities in areas required by the DOD and MV, the key performance indicator retained strategy capabilities in support of the DOD and MV's requirements you contracted for 100% and you achieved 100%. The next one is on problem delivery and the indicator was going

to be milestone achieved per DOD contract, deliverables your target was 85%, you got 97%, you can if you want you can just mention some of the features but it's clear that the Board exceeded either achieved or exceeded most of the targets.

MS MARTIE JACOBA JANSE VAN RENSBURG: Yes, Chair I think significant is then the increase in revenue on a year on year growth, the contracted was 12%, we achieved 28%, Denel achieved 28% in that year, the EBIT margin was contracted for at 4.5% Denel achieved a 7% margin. Cash flow from operating activities before working capital changes as a percentage of revenue, the contracted percentage was 60%, Denel achieved 77%. The operating expenses, in other words the costs as a
10 percentage of revenue was contracted for at 23%, it was achieved at 16%, so it was lower than contracted for, quite obviously revenue is also a bigger denominator that you divide with. The total appointments in the designated groups the contracted was 75%, 87% was achieved, women as a total percentage of appointments was contracted for 20% where Denel achieved 30%, local procurement was a little bit below the target, 70% target, 67% was achieved and we can deal with it later.

ADV ZINHLE BUTHELEZI: Yes.

MS MARTIE JACOBA JANSE VAN RENSBURG: Procurement from black owned suppliers as a percentage of local procurement the target was 20%, Denel achieved 22%, BEE recognised as percentage of local spend, so in our procurement processes
20 did we procure from BBBEE entities, the target that was contracted for was 70%, we've achieved 96%. The spend is also further diversified to make sure that we procure from black-owned women businesses, women-owned businesses, the percentage there was, the target was 3% and we've achieved 9%, Denel achieved 9% and also on your youth-owned entities there was a lower achievement, the target was 3% and achieved 1%.

Looking at smaller and emerging enterprise suppliers developed to supply to

the core business and core business is more than supplying catering and office cleaning services so it's core business activities, is contracted for 20 enterprises, the achieved was 25 enterprises. The BBBEE level contributor level contracted was level 3, Denel moved to a level 2, training spend contracted as a percentage of employee cost, the contracted was 3%, what was achieved was 4%. Number of engineering trainees, which is bursaries and internships contracted for was 90, we achieved 92, number of artisan trainees I know the person from DPE who was making a statement yesterday also emphasised this part of our developmental role to wider and put more skills into the market. Total of artisan trainees, the contracted number was 100, achieved was 167, and 9 technician trainees and there was none contracted for. Denel also had a technical training academy and the training provided there the number of people contracted for was 300 and achieved was 355, an increase in number of jobs if you look at direct jobs created, contracted for 100, achieved was 275 and corporate social investment spent contracted for 1% and achieved was 2% so overall it was achieved that KPI's was achieved.

CHAIRPERSON: Well I don't know whether you ever took the trouble to calculate but my impression looking at this performance is that if it was an examination for a degree you would, your Board would have got not even *summa cum laude* but much more than that because sometimes the target would be 100 and you would be getting 200% you know sometimes you'd be getting 150% you'd be getting quite much more. It's true that there are areas where you didn't achieve the target but they are very limited and they would be easily made up compensated for by the ones where the – you got much more than the target and it seems to me that you probably would have got, I don't know if there's anything beyond *summa cum laude* but you would have really you know got something excellent. That's the impression I have when I look at the overall

performance.

MS MARTIE JACOBA JANSE VAN RENSBURG: Thank you Chair, I think I worked with a Board that was hard taskmasters, and – but I think it's and we need to note the journey was not completed yet, there was still much to do on the turnaround of Denel.

CHAIRPERSON: Yes, yes and I take it that the executive management was also playing a very important role in the success.

MS MARTIE JACOBA JANSE VAN RENSBURG: Chair they are critical because they execute, they need to make it work, we have an oversight role.

CHAIRPERSON: Yes.

10 **MS MARTIE JACOBA JANSE VAN RENSBURG:** ...to encourage, to help sometimes with advice and strategic redirection, so all the hard work sits in the executive team to deliver on these strategies.

CHAIRPERSON: Yes, thank you.

ADV ZINHLE BUTHELEZI: Thank you, and do you confirm then that on paragraph 28 you deal with your strategic position at 2015, as from paragraph 28?

MS MARTIE JACOBA JANSE VAN RENSBURG: Counsel yes I confirm that, just to note the Annexure 5 that we withdrawn and replaced with graphs dealt in a lot of detail, this information was included in a handover report for the new Board because as an outgoing Board you have responsibility to place the new Board in the best possible
20 position to be able to take up the relay stick and to be able to run and complete the journey.

CHAIRPERSON: Yes.

MS MARTIE JACOBA JANSE VAN RENSBURG: Because if you're already on a journey of strategic redirection and the turnaround, so you need to put that Board in a position an outgoing Board to tell what's on top of mind of the outgoing Board for the

new Board to know and have enough information around how to start.

CHAIRPERSON: Yes.

ADV ZINHLE BUTHELEZI: And Denel Asia project it's not part of what is featured here on paragraph 28?

MS MARTIE JACOBA JANSE VAN RENSBURG: No at 28 Denel Asia was never contemplated by the 2011 Board or the outgoing Board.

CHAIRPERSON: The handover report would it have been a confidential document?

MS MARTIE JACOBA JANSE VAN RENSBURG: Chairman this is a company confidential document, I can make a copy available to the Commission itself but I do
10 not think it's for public consumption because there's certain sensitive information in here.

CHAIRPERSON: No, no that's fine, maybe we should not have it, unless there is a compelling reason let's leave it alone, it would have been, it may have been interesting to look at what the new Board was told by the outgoing Board where the important issues that needed attention and against the background of what we – of the performance, of poor performance that we were told about yesterday by the Director General, Mr Tlhakudi, it would have been important to see which of the matters that the outgoing Board highlighted to the new Board needed attention were really taken forward, but if it is confidential maybe we should not look at it.

20 **MS MARTIE JACOBA JANSE VAN RENSBURG**: Chair I am under guidance there, I can make it available to you if it's required, we can do that.

CHAIRPERSON: Ja, no I think let's not make – I also want to try and only know what everybody knows otherwise if I know things that other people don't know I can make decisions that people won't understand then it's because of something I know that they don't know, so I think for now maybe there's no compelling reason, it just would have

been nice, but it's okay.

MS MARTIE JACOBA JANSE VAN RENSBURG: There is also maybe with the approval from the Minister from Public Enterprises and Denel I think, you can see it's old information that they state, you know it's already four years down the line so maybe if you wish to see that, that can be cleared.

CHAIRPERSON: Ja, it may well be that it might have been sensitive then and four or five years later it's not sensitive, maybe the legal team will just apply their mind but if the Ministry of Public Enterprises considers that it's got sensitive information we can do without it, but if they say they are happy to make it available that's fine, okay, thank you.

10 **ADV ZINHLE BUTHELEZI:** Yes, Ms Janse van Rensburg without going into details that may be company confidential, would you please just give us an overview of what was our plan going forward.

MS MARTIE JACOBA JANSE VAN RENSBURG: So on abbreviated paragraph 28 matters on page 7 – sorry page 7 of the document item 28.1 was obviously the conclusion of the acquisition of the LAN System South Africa that was acquired from PAC Systems. At that stage, and we will deal with it also on the – I must check there to say to you – from paragraph 31 on so I will give you more detail on the status of that under paragraph 31.

CHAIRPERSON: Yes.

20 **MS MARTIE JACOBA JANSE VAN RENSBURG:** But it was – we were at the verge of concluding and finalising the transaction so then 28.2 the acquisition of Command and Control capability, now Command and Control capability was identified as a sovereign capability in the defence review of 2012, and Denel has been exploring the possibility of acquiring SAB C2 capability for a number of months, so that was a transaction that was in the process of being considered and Denel already appointed legal, independent

advisors to perform financial and legal due diligence on the business as well as to provide independent valuations, and the PFMA application for that transaction was submitted to the shareholder, which is the Department of Public Enterprises and National Treasury on 11 May 2015.

Under 28.3 I deal with the Airbus Optronics shareholding, the Airbus Denel shareholding and just to note that Denel at this stage had a if I can just recall correctly had a 30% shareholding in Denel Airbus. Now this equity transaction where – which was concluded in the strategic turnaround in the period of 2005 to 2008 around this transaction was concluded in 2007, Denel had a 30% interest and Airbus had a 70% interest and discussions was underway to improve Denel's shareholding to 51% because if you go back to the defence review that functioning was also considered as strategic capability and the then 70% shareholder was prepared to sell off certain shares to Denel to improve the Denel shareholder to 51% shareholding, that gives you the majority shareholding and gives you control of the company.

Item 28.3 this was in the media also around looking at Rooi Valk, you would recall that the Rooi Valk Combat helicopter has been developed and Denel was the original equipment manufacturer for that so there was discussions and there was announcements that there would be an upgrade and eventual development of Rooi Valk 2 so work would have started on that, so that's included in here so just to that it would be if the – it was proceeding that it would have been a catalyst to revive capabilities including technology development, manufacturing enhancement in the local industry, because what I also need to note Denel did not manufacture each and every component in the equipment or the vehicles that they manufactured, there was a big spread of business where they bought from private sector, parties in the defence industry locally as well as certain components that needed to be imported or raw

materials imported in the industry so the functioning of Denel was like a high level systems integrator.

On page 9 I deal with the formalisation under 28.5 of the relationship with the Department of Defence and just to say that the defence spent, if you look at the budgetary allocations for the Department of Defence and for the South African National Defence Force was dwindling over the number of years, and with that also came haphazard manner of timing when orders were placed, so there was a process in place to finalise a Memorandum of Cooperation between the Department of Defence, the Department of Public Enterprises, Denel and Armscor on going forward and this what
10 we call Memorandum of Cooperation was signed by the Minister and Denel and it was the outstanding signature at the time of us leaving was the signature of the Department of Defence but it was an item that was long time in the process of making.

My understanding is that since we left this Memorandum of Cooperation was signed by the Department of Defence and I am sure they can make that available to you should you require it but I think just one of the things was also how to constructively work better with the limited money that's available because you would know a lot of equipment also needed refurbishment and maintenance of the South African National Defence Force. It also focused on the areas of capability which is sovereign and which is of strategic importance for the South African Defence Force, so
20 - and it's closely aligned to the defence (indistinct) that was adopted by Cabinet itself.

ADV ZINHLE BUTHELEZI: Yes then on 28.6?

MS MARTIE JACOBA JANSE VAN RENSBURG: 28.6 just to note as we said Denel Aero Structures was a manufacturing for Airbus so it had an advanced manufacturing capability, the type of materials and the technology used in the manufacturing of the components was very well developed and Denel was even at a stage commended by

Airbus of being a well-performing supplier to Airbus in building their A400N.

Now at that stage South African Airways and SA Express were in a process of procuring additional aircraft and there was a discussion to see what was the role that Denel can play because usually with your procurement of large sums of capital equipment and investment side is there's an offset program under the Department of Trade & Industry which we call the National Industrial Participation Program and there was discussions to see whether there would be any additional work in the aircraft that's coming from the procurement processes of S A Airways and S A Express that Denel can manufacture some of those components seeing that they're already doing some of that

10 advance manufacturing. The – so that paragraph deals with that and that is part of the issues that we've put because it was not concluded, and just to say that part of that processes was also that the Denel was also then discussing obviously also with other aircraft manufacturers, the ability to become their local manufacturer for certain components, such as Boeing, Emperor and Bombardier because we didn't know what the outcome of those procurement processes of those stated entities would have been, okay, because that was then part of the initiatives to bring more work to the Denel Aero structures that you can increase revenue and increase performance and also make sure that it turns out that performance. Then at page 10 I deal with the Denel Maritime diversification and just to note that once again the Denel integrated systems and

20 Maritime Division was created, we first had a Denel Integrated Systems Division, so we added the Maritime Component to that and it was established to be able to participate in procurement for further plans of the SANDF around extending their maritime capability.

Once again the role in the maritime capability side and some of the capabilities that would sit in Denel was also then classified under the sovereign

capabilities in the defence review component.

Page 28 – sorry 28.8 on page 10 then deals with the Pretoria Metal Pressing Plant, I am sure you have had a rundown of all the Denel business units yesterday, the – just to note that the plant was already 40 years old with some equipment dating as far back as the sixties and what was happening is that there needed to be a structured program to enhance the manufacturing and do a renewal program of that plant and there was a program on the table that the Board has approved but it was a program over five to seven years to make it affordable to Denel, because we didn't have necessarily all the additional resources to be able to do it in a onetime process to
10 upgrade that facility.

ADV ZINHLE BUTHELEZI: Okay, was this based in Atteridgeville, Pretoria?

MS MARTIE JACOBA JANSE VAN RENSBURG: This is based in Atteridgeville, Pretoria.

ADV ZINHLE BUTHELEZI: Yes, then on – then this report was handed over to the Minister on the 4th of June 2015, you confirm that?

MS MARTIE JACOBA JANSE VAN RENSBURG: Yes, this report was then handed over to the Minister, forwarded to the Minister on 4th of June 2015.

ADV ZINHLE BUTHELEZI: Yes, then on paragraph 30 you mention two milestones, can you give us more details on that?

20 **MS MARTIE JACOBA JANSE VAN RENSBURG:** The milestones we mentioned here that it demonstrates the actions taken by the 2011 Board as part of its turnaround strategy for Denel and it demonstrates many aspects of the projects undertaken by the 2011 Board, which I call the outgoing Board, as part of the turnaround strategy has been commenced but not yet completed.

ADV ZINHLE BUTHELEZI: Yes.

MS MARTIE JACOBA JANSE VAN RENSBURG: This meant that there was a need for continuity within the Denel Board, to ensure that these projects would be completed successfully by retaining some of the Denel Board members from the 2011 Board with the knowledge of projects in the new Board that was appointed in 2015.

ADV ZINHLE BUTHELEZI: Yes, and then from paragraph 31 you are focusing on the LSSA contracts or transactions and its financial impacts on Denel. We are – we have heard evidence of Mr Tlhakudi yesterday and more evidence will be led to the effect that this transaction led to the removal of the Executive members of Denel. Can you give us some background on this transaction?

10 **MS MARTIE JACOBA JANSE VAN RENSBURG:** I will do so Chairman. Just maybe to contextualise I am going to take you through the highlights that was written in the statement.

ADV ZINHLE BUTHELEZI: Yes

MS MARTIE JACOBA JANSE VAN RENSBURG: The 2011 Board concluded the transaction for the acquisition of the BAE LAN Systems South Africa Company a South African subsidiary, it became known as the Denel Vehicle Systems after it was purchased, just to highlight a few items, the Board considered the transaction at its meeting in 2014, 22 May of 2014 but to highlight the context in which the transaction was considered and it was that Denel had already certain capabilities in the production
20 of firepower like missiles and protection equipment. The opportunity to acquire landward systems from BEA systems in 2014 was an ideal fit for Denel to enhance its landward equipment capabilities. Denel was the prime contractor for significant vehicle programmes like the G5 and the G6 in prior years, the Rooikat and Caspers that is all past equipment that was manufactured and was still manufacturing. LSSA which I call the LAN systems transaction has always been responsible for the production of the

vehicles on which those equipment was fitted. Whereas Denel was responsible for overall concept design firepower and integration. Furthermore the acquisition would have bettered the position of Denel for future acquisition programmes by the SANDF, Saches Wistella and Sapula estimated at R14 billion so we were acquiring all their capabilities. And it would also enable Denel LAN systems and LNT in which Denel had a 51% shareholding to mitigate production risks on some bigger programmes as it would bring on board a mature manufacturing capability. The acquisition of the LAN systems was supported by the Department of Defence and as such a letter by the head of the SANDF General Shoke on 14 May 2014 addressed to BAE indicated that they

10 would like to see Denel play also a role and that it is in a local – that there is a local buyer for the business itself. The defence revue policy also advocated the return of strategic capabilities under the ownership of the state so that is why we were looking at that. The transaction was implemented with the full support of the minister who provided upon application and through thorough engagement the necessary approvals in terms of the Public Finance Management Act and also supported approvals required from the Competition Commission and the South African Reserve Bank.

ADV ZINHLE BUTHELEZI: Yes and the Minister you are referring to here is it Minister of – the DPE Minister, Minister Brown?

MS MARTIE JACOBA JANSE VAN RENSBURG: It was if you look at the time it was

20 Minister Brown.

ADV ZINHLE BUTHELEZI: Yes.

MS MARTIE JACOBA JANSE VAN RENSBURG: At the Department of Public Enterprises.

ADV ZINHLE BUTHELEZI: Yes.

MS MARTIE JACOBA JANSE VAN RENSBURG: But these type of transactions what

is quite substantial National Treasury also plays a significant role.

ADV ZINHLE BUTHELEZI: Yes.

MS MARTIE JACOBA JANSE VAN RENSBURG: Because the PFM a approvals would be signed off by both the Minister of Finance and the Minister of Public Enterprises and they usually attach some conditionality's to that.

ADV ZINHLE BUTHELEZI: Yes so you had approval from both Ministers?

MS MARTIE JACOBA JANSE VAN RENSBURG: Yes.

ADV ZINHLE BUTHELEZI: Yes. Thank you. You may proceed.

MS MARTIE JACOBA JANSE VAN RENSBURG: The feasibility of the transaction
10 was predicated on the inclusion of the strategic equity partner who would bring in an amount of at least 450 million as an investment equity and also provide significant access to market and orders. Upon our DE partner as the 2011 board we already commenced the process through a closed bidding process to secure such a suitable strategic equity partner. The process was at an advanced stage and there was a few strategic partners considered with the right qualities including the financial means to acquire the equity for the 450 million.

ADV ZINHLE BUTHELEZI: Yes.

MS MARTIE JACOBA JANSE VAN RENSBURG: On July 3 2015 I addressed a letter to the Minister in which I explained the rationale for the strategic equity partner and
20 updated the Minister on the entity that has been identified by the 2011 board as offering the best strategic fit as an equity partner and a copy of that letter is attached in NJVR7 it is attachment 7 and it is on page 57.

ADV ZINHLE BUTHELEZI: Yes it is on page 57.

MS MARTIE JACOBA JANSE VAN RENSBURG: I can take you to page 57. This is the letter that was addressed to Minister Brown that is after the board considered the

partner and the portion that I would like to highlight to you specifically is on page 58.

ADV ZINHLE BUTHELEZI: Yes.

MS MARTIE JACOBA JANSE VAN RENSBURG: Is to say that the – as a board we evaluate the offer based on – the offer is based on the set criteria that included the following criteria and it is the bullet points on top of the black blocks which included sound financial investment proposal, additional revenue and markets the party will bring to the organisation. Access to funding, working capital and bank facilities. Access to experienced human resources. Tested business processes and track record. Access to established research and development capabilities. Support of national strategic objectives for example transformation and Department of Defence objectives. Strategic fit and synergies with the Denel Group. So based on that basis we selected the partner. It was at an advanced stages of finalising the final negotiations but that was at the stage when we exited.

ADV ZINHLE BUTHELEZI: Yes I am sorry Ms Janse Van Rensburg was it – the strategic partner how much percentage of this was it going to have?

MS MARTIE JACOBA JANSE VAN RENSBURG: The strategic partner was looked at at 49%.

ADV ZINHLE BUTHELEZI: Okay.

MS MARTIE JACOBA JANSE VAN RENSBURG: So that Denel can maintain control over the Denel vehicle systems which is then the 51% that will remain with Denel.

ADV ZINHLE BUTHELEZI: Yes. And the cancellation of this though what impact would it have on Denel?

MS MARTIE JACOBA JANSE VAN RENSBURG: In paragraph 37 I deal with my understanding that the 2015 board, the new board just cancelled or discontinued the participation of the strategic equity partnership.

ADV ZINHLE BUTHELEZI: Yes.

MS MARTIE JACOBA JANSE VAN RENSBURG: And the impact of that would have been that it will put considerable financial strain on Denel.

ADV ZINHLE BUTHELEZI: Yes.

MS MARTIE JACOBA JANSE VAN RENSBURG: Because the balance sheet was not strong enough to repay the loans that was entered into to be able to pay for the acquisition of the Denel Vehicle Systems entity. So paragraph 37 Chair mainly deals with that.

10 **ADV ZINHLE BUTHELEZI:** Yes and the acquisition of LSSA would you say it was value for money for Denel?

MS MARTIE JACOBA JANSE VAN RENSBURG: Yes the value of money of Denel – to Denel was number 1 around enhancing the strategic capability of having more product offering but it was also that it already was an established business that would actually increase the revenue flow and as I indicated earlier in my remarks around if you looked at the Denel Forecast and Performance under paragraph 26 although 26 only deals with the Denel Core Business before the LAN system acquisition you would have seen that it would have brought about 1 – for 2015 about 1.4 billion of additional revenue and of that revenue you would have had an additional profit of – nett profit of about 148 million that it would have brought to Denel for that financial year.

20 **ADV ZINHLE BUTHELEZI:** Yes and the involvement of the equity partner was it one of the conditions that was of the approval of this – of this transaction?

MS MARTIE JACOBA JANSE VAN RENSBURG: Ja the PFM – the PFMA approvals that was received in April.

ADV ZINHLE BUTHELEZI: Yes.

MS MARTIE JACOBA JANSE VAN RENSBURG: The National Treasury PFMA

approval was received on 2 April 2015 and the Department of Public Enterprises approval was received on 10 April 2015.

ADV ZINHLE BUTHELEZI: Yes.

MS MARTIE JACOBA JANSE VAN RENSBURG: And the conditionality of that was that we revert and bring in an equity partner. So that was one of the conditions of the approval.

MS MARTIE JACOBA JANSE VAN RENSBURG: Thank you. Let us move forward to paragraph 38. You have already dealt with I think it is MJR6 which you indicated what you managed to achieve in terms – as per your shareholder compact and what you could not achieve which is out of I will say about 20 items you only – you could not achieve three items and those were raised by the Minister in your Annual General Meeting in 2015. Could you please highlight those and the reasons as to why you could not achieve in those three areas?

MS MARTIE JACOBA JANSE VAN RENSBURG: Chairman on page – I will just deal with the items as on page 13 of the document.

CHAIRPERSON: Ja.

MS MARTIE JACOBA JANSE VAN RENSBURG: Under paragraph 38. The one was the spend of 2% of its revenue on research and devel – own research and development which was not the 3% which was the target agreed. Just to note we have had a budget of R89 million to spend of own research. The actual spend was R119 million so you look at you know rand amounts spent there was an increase but if you actually look at the increase in the revenue line obviously we had a lower spend and as we had scarce resources we needed to manage own spend quite carefully versus the spend that on Research and Development that clients will pay for. The second item that we did not achieve the target was the local content procurement where Denel achieved 67%

versus the target of 70%. Just to note that a total amount of 3.1 billion was spent on local procurement which made up the 67%. So it was noted by the board and – but it was just a factor of circumstances also on what programmes and contracts you were actually in the process of rolling out. And then the last item was Denel achieved a 1% procurement spend from black youth owned companies against a target of 3%. We have also noted that an effort would have been put in place to be able to include that but the overall BBBE spend was exceeded. So this is just a sub-category on that to make sure that we create capacity to spend on youth owned businesses as well as woman owned businesses. So in respectful opinion the failure to meet these targets as

10 important as they are paled into the insignificance to the overall success that Denel has achieved for that period under review. So I am [indistinct] statement earlier.

ADV ZINHLE BUTHELEZI: Chair I am not sure if it would be convenient for us to stop at this time when we come back we will deal with the Denel Asia issues

CHAIRPERSON: No that is fine.

ADV ZINHLE BUTHELEZI: Thank you.

CHAIRPERSON: We will take the tea adjournment and resume at half past eleven. We adjourn.

INQUIRY ADJOURNS

INQUIRY RESUMES

20 **CHAIRPERSON:** You may proceed Ms Buthelezi.

ADV ZINHLE BUTHELEZI: Ms Janse Van Rensburg we are on the establishment of Denel Asia. You have given us your comments from paragraph 41 of your statement. Firstly your evidence is that your Board did not have this project in its plan. Is that correct/

MARTIE JACOBA JANSE VAN RENSBURG: Yes. Chairman the 2011 Board or the

outgoing Board did not consider the establishment of Denel Asia. So that is just, I am confirming that.

ADV ZINHLE BUTHELEZI: Yes. Looking at the fact that by October 2015 there was already pre-notification that was been sent to the relevant Ministers. How much time in your experience would it be required in order to reach that stage in facilitating the project of this nature?

MARTIE JACOBA JANSE VAN RENSBURG: Chairman in my opinion if you would like to actually establish such a type of subsidiary in another country there is a lot of market intelligence homework that needs to be done. Also the feasibility of that needs to be
10 evaluated and prepared and considered by the Board and before the proceeds could actually go forward in order to notify the relevant shareholder departments of establishing such an entity. So I think the new Board assumed their functions by the end of July I think it is 24 July.

ADV ZINHLE BUTHELEZI: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: So it was a relative short period that transpired between assuming functions, getting to know the business because just to say if you are appointed to a Board and a business that we did not [background noise] to the Board your induction together with getting to grips with the business usually takes a period of time and I will also deal with it under rotation of Board around what is
20 best practice around it. So where I am is for the Board to meaningfully consider that that transaction or the establishment of that, I do not know I have not been on the Board on what information that decision was made, but my experience in other organisations would be that you would need to spend quite a lot of homework to be able to get to an investible case and a banking case that makes business sense to be able to make the decision as a Board to proceed with that.

ADV ZINHLE BUTHELEZI: Yes. At paragraph 42 you deal with the issue of withdrawal or the tenure criminal investigation that Denel had in India being resolved?

MARTIE JACOBA JANSE VAN RENSBURG: *Ja.*

ADV ZINHLE BUTHELEZI: Yes. Would this be viewed as a way or, yes a way in which now the opportunities for Denel were opening up in India considering the fact that Denel was a global company?

MARTIE JACOBA JANSE VAN RENSBURG: Thank you. Chairman yes at paragraph 42 where we are is there has been a long standing dispute between Denel and India and in August 2014 the criminal investigation by the Indian Prosecuting Authorities was
10 closed out after many years of efforts. So that was a significant milestone because it barred Denel from doing meaningful business with the Government of India and India has been considered as a strategic market. You would note in my review of the performance we see at Middle East/Asia was one of our, one of Denel's key markets that they were into. So yes this started to open the door. There was however still some legal, some civil cases that needed to be brought to conclusion and I understood that was done roundabout 2017.

ADV ZINHLE BUTHELEZI: Yes and further down in your statement you give an example of a contract that you had with a company that was outside South Africa Tawazun Dynamics. In entering into such an agreement how much of the State
20 involvement of the other country is expected to be? Would you enter a transaction of this sort without involving the State of the other country as Denel?

MARTIE JACOBA JANSE VAN RENSBURG: Chair I am using a Tawazun as an example, because that was a company that Denel established off shore. It is in the UAE and in my statement I deal with it in a way that it was a joint venture. It was concluded with the state owned arms company for the UAE at Tawazun and the joint

venture also flowed out of a contract that was signed between Denel and the Government of the UAE buying armaments, missiles from South Africa or from Denel itself and I think just to note that the way it was structured it was part of an offset agreement, because obviously like most countries have a certain component of local manufacturing that they would like to see happening in any major procurement program and secondly if you look at the type of venture that was entered into was it was done with a capable state owned arms company or defence company from the Government of UAE in process there.

ADV ZINHLE BUTHELEZI: Yes.

- 10 **MARTIE JACOBA JANSE VAN RENSBURG:** And so that was the main difference. So it was an established company. It was Government linked in relation to that. So I think it is a little bit different from my public understanding of Denel Asia.

ADV ZINHLE BUTHELEZI: Yes and what would be your comment on the fact that from the information we have that VR Laser had no footprint in India?

- MARTIE JACOBA JANSE VAN RENSBURG:** Chair my understanding was and as I set out in my statement the joint venture with VR Laser was, VR Laser was a local company. It did not have the footprint and at that stage in Asia or in India specifically. So and it is a private sector company that it was, the joint venture was entered into and if I look at the publically available information the structure of the transaction had two
- 20 parts and the one was Denel Asia that was created as really a holding company and then underneath that they will also then create other joint ventures and if the transaction was structured in a way that Denel would have 51 percent of Denel Asia, but that is only a holding company. If you then structure a further company underneath that in the countries that do business with it where they also need to look at establishing a joint venture. Eventually the amount of money that will flow through to

Denel would be then quite a small component, because then if it did lead Denel would have had for instance if a Denel India was created to satisfy the local procurement requirements in India Denel would have had an effective 25 percent shareholding in that entity.

ADV ZINHLE BUTHELEZI: So at the end of the day there was no value for money for.

MARTIE JACOBA JANSE VAN RENSBURG: Yes.

ADV ZINHLE BUTHELEZI: To make economic sense for Denel to.

MARTIE JACOBA JANSE VAN RENSBURG: Yes.

ADV ZINHLE BUTHELEZI: Enter into such an agreement?

10 **MARTIE JACOBA JANSE VAN RENSBURG:** Yes Counsel. Just maybe to note that
ton the publically available information.

CHAIRPERSON: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: And the evaluation of the structure of
that it did not make commercial sense.

CHAIRPERSON: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: And strategic sense around the long
term relationships that needed to be built between Denel and the Government of India
as well as the commercial returns that would be coming from such a joint venture.

20 **CHAIRPERSON:** Using your knowledge and expertise as a Chartered Accountant and
the experience you had as a member of the Denel Board and as Chair, Interim Chair at
that time, when you look at that transaction are you able to say who would have
benefitted from it if Denel was not going to benefit much from it? Who would have
benefitted more from it, because from what you say it looks like Denel was not going to
benefit much.

MARTIE JACOBA JANSE VAN RENSBURG: Now if we go back to the bottom in the

country of presence you would have then say a 49 percent return on the joint manufacturing or joint capabilities that you manufacture there. So that local joint venture would have actually benefitted by 51 percent of the profits coming from that company. Then you have an intermediate company which was then Denel Asia that will have received that 49 percent and of that 49 percent it would be split then 51 percent Denel and 49 percent VR Laser and so it all depends what the local company would have been as a joint venture. I am not privy to any information on.

CHAIRPERSON: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: What the local company would have
10 been.

CHAIRPERSON: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: So on the holding structure the benefit would have been VR Laser.

CHAIRPERSON: Would have been?

MARTIE JACOBA JANSE VAN RENSBURG: VR Laser would then benefitted from it.

CHAIRPERSON: Yes, okay.

ADV ZINHLE BUTHELEZI: Thank you. Then you at paragraph 47 you deal with the removal of the 2011 Board. You mention in paragraph 47 that a good practice are for Board Members could have been scattered terms. In your case your terms, the whole
20 Board the 2011 Board had expired around the same time. Can you give us some background on what led to this?

MARTIE JACOBA JANSE VAN RENSBURG: Thank you for that question. Chairman on page 14 paragraph 47.

ADV ZINHLE BUTHELEZI: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: I just start with paragraph 38. First I

start with good practice and maybe at paragraph 47 I would like to also highlight that this governance protocol, Protocol on Governance in Public Sector Entities of 2002 there was also a component around Clause 5.1.6 deals with the Appointment and Removal of Directors in State Owned Entities and 5.1.6.4 deals with continuity which is fundamental to the success of the SOE and this requires that an ongoing skills identification process to be performed by the Chairperson of the Support and Nominations Committee, but the emphasis is on continuity of skills on a Board that you need to also look at how you put that together. Best practice is that you have a scattered term. That you have one third of a Board's term in their third term. One third
10 in their second term and one third in their first term. This is how you manage continuity of skills on a Board.

CHAIRPERSON: Yes and that document on governance that you just read from.

MARTIE JACOBA JANSE VAN RENSBURG: Hm.

CHAIRPERSON: I think is one of the documents that Minister Gordhan testified about. Either Minister Gordhan or one of the witnesses from National Treasury, but I think it must have been Minister Gordhan, is a document that had been issued or sponsored by the same department, it is not, Department of Public Enterprises or was it National Treasury that had issued it or sponsored it?

MARTIE JACOBA JANSE VAN RENSBURG: Chair at the time of my appointment in
20 2010 the document was issued in 2002 and it was issued by the Department of Public Enterprises.

CHAIRPERSON: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: There was quite a lot of noise around the review of that.

CHAIRPERSON: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: But I think the revised one was only issued quite recently.

CHAIRPERSON: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: 14:47 And I am not sure whether National Treasury issued the revised one.

CHAIRPERSON: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: But at the time when I was on the Board this was the protocol that was in place.

CHAIRPERSON: Yes. So it would be fair to say that a Minister of the Department of
10 Public Enterprises would know that document and what the guidelines are, because it is a document issued by his or her department?

MARTIE JACOBA JANSE VAN RENSBURG: Yes Chair and had supporting technical skills in the department itself.

CHAIRPERSON: Yes. You would not know however I think whether since that document was issued there had been compliance with its guidelines over the years before your Board was removed?

MARTIE JACOBA JANSE VAN RENSBURG: Chair in the case of the Department of Public Enterprises this was my first exposure as a shareholder department in my 2010 appointment.

20 **CHAIRPERSON:** Yes.

MARTIE JACOBA JANSE VAN RENSBURG: My understanding was that there was compliance to that because for instance when I was appointed to the Board in 2010 there was retention of old Board Members or continued Board Members and we were at that stages four members who actually joined the Board in 2010.

CHAIRPERSON: Well.

MARTIE JACOBA JANSE VAN RENSBURG: As new members.

CHAIRPERSON: The [intervenes].

MARTIE JACOBA JANSE VAN RENSBURG: So it gives indication on how it was applied that you did not replace the Board.

CHAIRPERSON: Hm.

MARTIE JACOBA JANSE VAN RENSBURG: 100 percent or 99 percent.

CHAIRPERSON: Hm.

MARTIE JACOBA JANSE VAN RENSBURG: In that period.

CHAIRPERSON: Hm.

10 **MARTIE JACOBA JANSE VAN RENSBURG:** By practice. I previously at my days when I was at the Trans Caledon Tunnel Authority earlier years it was also applied quite stringently, but I think departments, shareholder departments started to deviate from that and how Ministers actually appoint Boards. So I think there was also a practice of deviating from that at some stage.

CHAIRPERSON: Thank you. I think Ms Buthelezi, Ms Gcabashe and the whole legal team attempts must be made to get somebody who can look at the level of compliance with that, with the guidelines contained in that document from the time the document became operational in the early 2000s up to now and not only in those public enterprises under the Department of Public Enterprises but also under other
20 departments, because my understanding is that it was issued and approved by Cabinet for purposes of giving guidance to all, to among others the appointment of Board Members, in regard in all the public enterprises. So it would be good to see to what extent there had been compliance for a certain number of years and in particular around certain specific years when Boards of various public enterprises were changed to see to what extent at that stage there was still compliance and if there were

deviations to what extent those deviations were marked deviations. Thank you.

ADV ZINHLE BUTHELEZI: Thank you Chair.

MARTIE JACOBA JANSE VAN RENSBURG: And maybe Chair what I would like to also add in support of paragraph 47 was that the Denel Memorandum of Incorporation in Clause 13.

CHAIRPERSON: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: Also deals with the composition of the Board and the terms of Boards that you are looking at the maximum of three terms and.

CHAIRPERSON: Yes.

10 **MARTIE JACOBA JANSE VAN RENSBURG:** The taking continuity into consideration.

CHAIRPERSON: Yes and I guess that if you as a Government department issue a document that is supposed to be a guideline and guide people you should be exemplary in trying to comply with those guidelines. So one will need to look at all of those things and see to what extent they were substantial deviations.

MARTIE JACOBA JANSE VAN RENSBURG: *Ja.*

CHAIRPERSON: Okay.

MARTIE JACOBA JANSE VAN RENSBURG: Just to note the Memorandum of Incorporation or MOI is a document that is actually the way Denel functions and it was in terms of the Company's Act dated.

20 **CHAIRPERSON:** Yes.

MARTIE JACOBA JANSE VAN RENSBURG: So it is also within terms of the Company's Act that we compliant in our MOI.

CHAIRPERSON: And does it address this issue we are talking about as well?

ADV ZINHLE BUTHELEZI:

MARTIE JACOBA JANSE VAN RENSBURG: Yes. It addresses it in Clause

[intervenes].

CHAIRPERSON: Yes. Okay, thank you very much.

ADV ZINHLE BUTHELEZI: Yes. Chair if I may refer to Chair to the relevant document is in our reference file, W5A.

CHAIRPERSON: W5.

ADV ZINHLE BUTHELEZI: Section 13 starts on page 21.

CHAIRPERSON: Is that the memorandum she is talking about?

ADV ZINHLE BUTHELEZI: Yes.

CHAIRPERSON: Okay. No that is fine. Thank you.

- 10 **ADV ZINHLE BUTHELEZI**: Thank you. Looking at the Clause 13 of the same memorandum, of the MOI, the members who were on the Board, your Board the 2011 Board and if not all of them. It is on page 21.

MARTIE JACOBA JANSE VAN RENSBURG: Page 31?

ADV ZINHLE BUTHELEZI: 21.

MARTIE JACOBA JANSE VAN RENSBURG: 21?

ADV ZINHLE BUTHELEZI: Yes.

CHAIRPERSON: Of EXHIBIT W5?

ADV ZINHLE BUTHELEZI: W5A.

CHAIRPERSON: W5A. Just look on the spine Ms Janse Van Rensburg.

- 20 **MARTIE JACOBA JANSE VAN RENSBURG**: W5A.

CHAIRPERSON: On the spine of the lever arch file to check whether you are looking at the correct file. On the spine it should be marked EXHIBIT 5.

MARTIE JACOBA JANSE VAN RENSBURG: I think I found it.

CHAIRPERSON: A W5A. Have you got the right one?

MARTIE JACOBA JANSE VAN RENSBURG: I found it. I just need to get to the

specific clause in this evidence bundle.

CHAIRPERSON: Okay.

ADV ZINHLE BUTHELEZI: Yes. Clause 13 appears on page 21.

MARTIE JACOBA JANSE VAN RENSBURG: Yes, 21.

ADV ZINHLE BUTHELEZI: Yes. If you look at 13.1.2 the Non-Executive Directors should be appointed for at least three years or for the maximum of three years and such terms or consecutive terms should not be longer than three terms. Look at the Board Members, the 2011 Board Members none of you have served the maximum period stipulated in that paragraph. Is that correct?

10 **MARTIE JACOBA JANSE VAN RENSBURG:** I am under correction there.

ADV ZINHLE BUTHELEZI: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: The one person, Dr Gert Cruywagen.

ADV ZINHLE BUTHELEZI: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: Was at the start of his third term, because he was appointed in, let me quickly get to his term. He was appointed in 2008 for his first term.

ADV ZINHLE BUTHELEZI: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: So he was then reappointed for a second term.

20 **ADV ZINHLE BUTHELEZI:** Yes.

MARTIE JACOBA JANSE VAN RENSBURG: And then the reappointment that was happening for the one year only period in 2014 would have been a first year. So it would have been a first year in, but.

ADV ZINHLE BUTHELEZI: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: But it was just an extension merely of

the second term.

ADV ZINHLE BUTHELEZI: He also could still serve for another two years [intervenes]?

MARTIE JACOBA JANSE VAN RENSBURG: Yes, he could serve for another two years.

ADV ZINHLE BUTHELEZI: Thank you.

CHAIRPERSON: But he would have been a good candidate to be allowed to go, because of how long he had already served. Is it not?

MARTIE JACOBA JANSE VAN RENSBURG: Yes. He could have been replaced.

10 **CHAIRPERSON:** *Ja.*

MARTIE JACOBA JANSE VAN RENSBURG: But all the other Board Members except for me and; was at that stage in their first term. They completed their first term in 2014 and they were then reappointed just for that one year extension to be able to give the Minister time to put a Board together, but I will deal with it in my statement, because at the 2014 AGM Minister Brown said that she just walked into the Portfolio at the Department of Public Enterprises and that she would like to take her time to get to know the organisations and then look at the appointment of Board Members. So that is why she requested that the current Board in place at that stage to stay on for another year or until such time she appoints a new Board.

20 **ADV ZINHLE BUTHELEZI:** Yes.

MARTIE JACOBA JANSE VAN RENSBURG: To give her space to consider candidates for the Board that is appropriate.

ADV ZINHLE BUTHELEZI: Yes and then at paragraph 51 of your statement you deal with a letter that you sent to the Minister upon learning that the Minister was intending to review the Board.

MARTIE JACOBA JANSE VAN RENSBURG: *Ja.*

ADV ZINHLE BUTHELEZI: Can you take us to that letter and what issues did you raise with the Minister?

MARTIE JACOBA JANSE VAN RENSBURG: Hm.

ADV ZINHLE BUTHELEZI: It is attached as EXHIBIT MJVR8.

MARTIE JACOBA JANSE VAN RENSBURG: Okay.

ADV ZINHLE BUTHELEZI: And it is on page 61 of EXHIBIT W2.

MARTIE JACOBA JANSE VAN RENSBURG: Page 61 deals with the letter that Minister Brown had sent to Denel to inform us of the rotation of the Board Members and
10 within that she requested the Handover Report.

ADV ZINHLE BUTHELEZI: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: From that. The Board has sent correspondence to her.

ADV ZINHLE BUTHELEZI: A report. Yes. It is.

MARTIE JACOBA JANSE VAN RENSBURG: Under.

ADV ZINHLE BUTHELEZI: MJVR9 that starts from page 64. Sorry, it is tabbed sorry.

MARTIE JACOBA JANSE VAN RENSBURG: 74.

ADV ZINHLE BUTHELEZI: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: Page 74 is then the letter that the Board
20 has sent to Ms Brown after learning that on the rotation of the Board that there was not continuity in place.

ADV ZINHLE BUTHELEZI: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: Now you must understand that as the shareholder has the full right to appoint a Board it can be seen that you are trying to make a case for you to be reappointed. So you must be very careful on how you

communicate also to the Minister but what we; when we have learnt that there was only one Member of the Board of the old Board going through to the new Board.

ADV ZINHLE BUTHELEZI: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: We have sent a letter and we referred to the letter of the Minister dated 25 May which was then in Annexure MJVR8.

ADV ZINHLE BUTHELEZI: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: That we respond to and number one we thanked her for the opportunity to be able to serve on Denel Board. We also assured her because her letter asked that we need to make sure that we handover appropriate
10 and continuity of functions. So we said as professional Board Members our fiduciary duty as a Board Member will continue until the AGM where we will handover and we will continue to provide the highest cooperation in maintaining leadership as the company finalises its 2015 annual report, financial statements and ongoing matters such as implementation of the recent Land Systems acquisition. I refer to her that the Board met on 28 May 2015 to agree on the content that should be included in the Handover Report which we dealt with at Annexure 5 which we actually only extracted certain information from and graphs from and we said that that report would be provided to her by 3 June and then the Board noted the bottom paragraph there.

20 “The Board acknowledges the right of the shareholder to rotate Board Members, but need to register our concern that the lack of continuity in the Non-Executive leadership may put Denel at risk.”

ADV ZINHLE BUTHELEZI: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: “A 90 percent change in Non-Executive Board Membership inherently increases the risk

of instability and diversion of focus in this critical period of Denel's turnaround. We refer to Good Corporate Governance Practice including King III warns against it that you thus do such a major replacement and since the 2014 Annual General Meeting the Board has been contemplating the imminent change and for this reason considered it prudent to review the term of the Executive Management's contracts to ensure that continuity on this level in the Executive Management will be maintained."

- 10 And we said that the separate level will follow on that in that regard, but we needed to voice our concern around the lack of continuity.

ADV ZINHLE BUTHELEZI: Ms Janse Van Rensburg the only member who was retained from the 2011 Board was Mr Motseki. Were you aware of his qualifications?

MARTIE JACOBA JANSE VAN RENSBURG: I have served with Mr Motseki on the Board.

ADV ZINHLE BUTHELEZI: Yes.

MARTIE JACOBA JANSE VAN RENSBURG: For four years. So yes we were aware of his qualifications.

ADV ZINHLE BUTHELEZI: And what qualifications did he have?

- 20 **MS MARTIE JACOBA JANSE VAN RENSBURG:** I'm just going back to that. Motseki had been appointed to the Board in 2011, his relevant skills was Policy Develop experience and Intelligence Security and other media liaison. I did not have the details of his academic qualifications.

ADV ZINHLE BUTHELEZI: Yes did he serve on any of the committees – sub-committees that you had?

MS MARTIE JACOBA JANSE VAN RENSBURG: Mr Motseki didn't serve on any of the sub-committees of the board.

ADV ZINHLE BUTHELEZI: Okay and on the same paragraph...(intervention).

CHAIRPERSON: One second what would make – what would bring about a situation where some members of the board serve on committees and others did not serve. Was is a question of choice, was it – and maybe some might have served on more than one committee, I don't know, what would inform that normally, not talking about any particular individual, just in general?

MS MARTIE JACOBA JANSE VAN RENSBURG: Chair, in practice you would like to
10 allocate the relevant qualifications and experience to the right Board committee, in any organisation where you are. So you have a combination of reasons, maybe it goes around skills set fit, if a person is not allocated to a specific committee. If you have a larger Board, not all of the members have to serve on a committee, so I must also note that and sometimes it's by choice of the individual. If I can recall in 2014 going to 2015, I think Mr Motseki had some health challenges, so maybe for that reason he was not also on a committee but it can be verified on the choices from further interrogation with the Department.

CHAIRPERSON: Okay thank you.

ADV ZINHLE BUTHELEZI: On the same paragraph, 55, you also addressed a letter
20 that is on Annexure NJVR11, can you state for the record what was the purpose of you sending this letter to the minister?

MS MARTIE JACOBA JANSE VAN RENSBURG: As mentioned in the Board letter on the rotation of the Board in Annexure 10, that was – which I referred to on page 74, we were looking – and 75, we were seeing – we were recommending to the Minister to look at the extension of the group's CEO contract to ensure that there's at least continuity at

executive management level and Chair you may recall when we had the discussion earlier on about the role between the Board and the executive management. Executive management is quite key in rolling out the agreed strategy to be able to achieve the financial results. So if you maintain some continuity at least at the executive level it will enable the Board also to fulfil its responsibilities if they're an incoming Board and they have – do not have continuity in place, that will help them to breach that period for the Board to come – become fully *au fait* with the organisation itself. So the document that is in the pack from 77 to 81 is then the letter, dated 1 June by the Board to the Minister where we recommend the review of the group's CEO terms because the group's CEO term would have come to an end, I think, January 2016 – no January 2017 and we recommended that she needs to re-look whether she would give approval to extend it for a longer period of time to bridge the continuity and we dealt with the performance of the group CEO over that period in that letter.

ADV ZINHLE BUTHELEZI: Sorry Ms Janse van Rensburg you – this was in 2015 and according to your evidence the term of the CEO was only coming to an end in 2017, was there a reason for your concern at that stage, that his term might not be extended or was it just ad hoc.

CHAIRPERSON: In other words, why were you not leaving it to the new Board to make that call at the right time because it seemed there was still quite some time?

20 **MS MARTIE JACOBA JANSE VAN RENSBURG:** Chair, usually recruitment of replacement of a CEO takes around 12 months in advance that you actually need to do that because the process and the search takes a long time to be able to get the right person in place. We were concerned that his contract may not be renewed, that was the one part but we were more concerned about continuity and the strategy in the turnaround of Denel that, that will not be able to be followed with the right executive in

place.

CHAIRPERSON: Was the fact that your Board may have worked with the group CEO for a longer time than the new Board would have worked with him before having to make the call, also a factor or not?

MS MARTIE JACOBA JANSE VAN RENSBURG: Yes it would be because we have appointed him, he started his term in 2012 – January 2012 Chair and so we have worked for him for a period of three years at least – three and a half years at least so we have seen performance coming to the fore as demonstrated in the financial results and the growth in the order book and the cohesion in the executive team, also
10 transformation in your executive employment where you started to see that we're actually achieving transformation for black senior managers and executives. So we felt that he was doing a good job.

CHAIRPERSON: Thank you.

ADV ZINHLE BUTHELEZI: Thank you, then from paragraph 57 you talk about the skill set of the 2011 Board, can you take us through the skill set as it sits out from paragraph 57 up to paragraph 59 of your statement?

MS MARTIE JACOBA JANSE VAN RENSBURG: Yes, I will do that, Chair, if I just quickly go through the skill set, just to note, I have not listed all of the current Board members, it doesn't mean that they didn't contribute, I just highlighted a few but the full
20 CV's of all the other Board members are also available because the ones that I have not dealt with here was also doing their job on the Board quite well, as you could have seen from the Board review so I have not dealt with Ms Matenjwa and I have not dealt with advocate Ntsoleka and I have not dealt with Mr Ngwenya but it does not mean that they did not added value in the Board deliberations. Just to note, on paragraph 59 some of the Board members that – at the highest respect as professionals and

business people in their fields was 50.1 Mr Mavuso Msimang, he was a veteran of South African Politics Anti-Corruption Champion and experienced corporate executive he had spent a number of years, both in the State owned entity environment, like South African National Parks CEO as well as CEO of the State Information Technology Agency where – and then also where he was responsible for turnarounds in that space and he was also then a member of the Social and Ethics Committee. 59.2 is Professor Stella Nkomo was at the time Professor and Deputy Dean at the faculty of Economic and Management Sciences at the University of Pretoria. She was an accomplished expert in Human Resources and Leadership with a vast international experience. Dr

10 Gert Cruywagen that we dealt with earlier on, Dr Gert Cruywagen is a senior executive with the Tsogo Sun Group, responsible for risk management. At the time he was also a longstanding member of the King Committee on corporate governance and was involved in several international structures on matters of mismanagement and corporate governance. Paragraph 59.4, Mr Matotsi Ratchesbelani brought over 20 years of legal experience, practiced as an attorney and director in some of South Africa's top legal firms and he helped the Board greatly in dealing with many legal issues, in particular, in matters of corporate governance, company law, merges and acquisitions and contracts and he had considerable experience in advising some of South Africa's major State owned entities on the various legal matters. On page 17 we

20 also deal with – and paragraph 59.5 with Advocate Ghandi Badela, that had many years of experience as an engineer. He completed his legal studies and joined the bar during his tenure as a director at Denel. He is currently an Advocate at Duma Nokwe Group, he served as Chief Executive Officer at SAAB Grintech Technologies, Sonkwe Computer Services and Masana Technologies. He holds an MSC in engineering management from University of Johannesburg and an MBA from the University of

Pretoria. Advocate Badela brought a rare combination of law and engineering, these skills helped the 2011 Board to navigate intellectual property matters from a legal and an engineering perspective. Prof. Tshilidzi Marwala in paragraph 59.6 we deal with Prof. Tshilidzi Marwala which is currently the vice chancellor of the University of Johannesburg, renowned for his knowledge and passion in matters of technology and the fourth industrial revolution, having obtained his PHD at the University of Oxford in the field of artificial intelligence. Just to note that when Minister Brown asked the Board to renew the tenure in 2014 for one year, Professor Marwala, at that stage indicated that he's not available for that period.

10 **CHAIRPERSON:** Oh okay.

MS MARTIE JACOBA JANSE VAN RENSBURG: Okay but he's back on the Board now if you look at the current Board of Denel but at that stage he stepped into his new role at the university and it took up some of his time so it was a time/availability matter.

CHAIRPERSON: Yes so when the Board was – when the 2011 Board left he had already left?

MS MARTIE JACOBA JANSE VAN RENSBURG: He left in 2014 together with Mr Zoli Kunene who was the previous Chairman of the Board and he already, in 2014, served three terms of three years so he reached his nine year limit in terms of the MOI but he also brought quite a lot of experience, if we look at the period of time involved in that.

20 **ADV ZINHLE BUTHELEZI:** Yes, in paragraph 61 of your statement you make a comparison between the 2011 Board and the 2015 Board and you highlight that the 2015 Board lacked – members lacked in certain critical skills. We are already aware that there was a recommendation by the auditors on the Board evaluation report that we have dealt with earlier that recommended that someone – or members with some financial skills should be appointed to the Board. What do you take of this, the fact that

2015 Board lacked or didn't have a chartered accountant as a member?

MS MARTIE JACOBA JANSE VAN RENSBURG: Chair on that matter, I must just note, it's very difficult to criticise from the outside so that's why I limit my comment to the composition of the Board relating to the skills for the audit and risk committee and the statement here is that they did not have a member with the relevant CA qualification that would be able to bring the knowledge base in – on the level of a chartered accountant to give to both executive management and the auditors and as counsel has referred to that the Board evaluation report, both in the 2014 one, that said they need to strengthen because we only have one CA on the Board and the 2015 review said that,
10 you know, we need to strengthen financial skills.

CHAIRPERSON: So was it not strange that in the 2011 Board, you as the Board considered and those who reviewed your performance also considered that having one chartered accountant was not enough and there should be another one appointed but the Board that followed you didn't have even one chartered accountant, it was strange.

MS MARTIE JACOBA JANSE VAN RENSBURG: It opens up the organisation for risk.

CHAIRPERSON: Yes, I know that you left when the new Board started but maybe you do know how long it took before they – before a chartered accountant was appointed so that there could be somebody sitting in the risk committee – risk and audit committee or do you not know.

20 **MS MARTIE JACOBA JANSE VAN RENSBURG:** Chair I don't have that knowledge.

CHAIRPERSON: You do not know yes okay alright, thank you.

ADV ZINHLE BUTHELEZI: Looking at your financial position in 2015 and the contracts that you have already secured at that time, if one considered your order book when you left the Board of Denel, will some of your work – performance be exhibited in the years that follow?

MS MARTIE JACOBA JANSE VAN RENSBURG: Yes definitely as I said the nature of the business of Denel is multi-year contracts, so with multi-year contracts and if you have an order book of which the work has not started, you've already contracted, so you will see the financial results coming through in one, two, three years, it depends on the length of the contract at a later stage. So that order book – but just to note that the information set out in paragraph 26 reflected the work of that order book flowing through the forecast of the future results. So it already starts to indicate that you will increase their revenue from Denel only from 5.3 billion to 6.3 billion in 2015/2016. In 2016/2017 it will go to 7.3 billion, now that is without the revenue that the acquisition of

10 Denel Vehicle Systems would have added on, which was, as I indicated previously of roundabout 1.3 billion in 2016, 1.4 to 1.5 billion in 2017, with the resultant follow-through of profits. So the subsequent results – it's always difficult you – in a business where you're not in retail and it's buy and sell situation that you sit with a business where you enter into long-term contracts. The mistakes or the good decisions of today will only be seen at a later stage because the profits flow over and the revenue flows over the five year or longer term period of the contract. So obviously the order book of 35 billion, the benefit of that, you will see then in the results of future years.

ADV ZINHLE BUTHELEZI: Thank you and then in conclusion what would be your comment on the Minister's decision to change the Denel Board and replace them with

20 the 2015 Board in the manner in which it transpired in this case?

MS MARTIE JACOBA JANSE VAN RENSBURG: I must say my concluding remarks on page 17, paragraph 62, unfortunately, I cannot speculate on the Minister's reasons for making the changes as she did. I am, however, compelled to state that the Minister's decision to remove the 2011 Board and appoint the 2015 Board does not appear to have been reasonable. I say this for the following reasons, good corporate

governance dictates that the rotation of the Board members should seek to achieve continuity of members. Historically only one third of Board members would be rotated at a time, this will ensure continuity of Board members and stability in the company whilst also bringing in new members. The 2011 Board has been highly effective there should have been no reason, based on the performance of the Board, for the removal of the full Board (indistinct) and the 2011 Board was in the midst of a successful turnaround strategy which included various projects that were ongoing. The removal of the 2011 Board and its replacement with members who had no knowledge of these projects would, and in fact, did jeopardise these projects. The 2015 Board lacked

10 people with necessary skills, for instance a chartered accountant.

ADV ZINHLE BUTHELEZI: Yes.

MS MARTIE JACOBA JANSE VAN RENSBURG: And as I reiterated quite a few times was Denel was still in a turnaround period and you only reap the fruits over a period of time of a turnaround strategy. I need to note that our forecast for improved performance audit and growth and audit cover, revenue and profitability was demonstrated in that information that was included in paragraph 26.

ADV ZINHLE BUTHELEZI: Yes and from your knowledge and experience, was there any – was there a Board, Denel Board that was ever appointed before without an accountant?

20 **MS MARTIE JACOBA JANSE VAN RENSBURG:** I can only comment on the Board I joined because I replaced a chartered accountant on the Board, I know I had specifically as Chair of the Audit and Risk Committee meeting, I had also a hand-over meeting with the outgoing Chairman of the Audit and Risk Committee in 2010 to make sure that I pick up all the issues that's front of mind for the Audit and Risk Committee at that stage that we make sure that we continue the good work that the previous Board

was doing.

ADV ZINHLE BUTHELEZI: Thank you Chair that will be all for this witness.

CHAIRPERSON: Thank you. What would have been the impact of the absence of a Board member with financial skills and expertise by way of (indistinct) chartered accountant, what would have been the impact of the absence of such a member of the Board on their Risk and Audit Committee in your opinion?

MS MARTIE JACOBA JANSE VAN RENSBURG: Chair it is the insight into the financial matters as you would note that Denel was still in a turnaround strategy, number one, so the financial performance and interrogation of financial performance, understanding how the underlying contracts were working and how it relates to the forecasted and achievement of results, both in revenue as well as a nett profit. Secondly Denel was also in the process of managing cash quite tightly because cash was always a big problem, you know, as I said – as you may receive advanced payments from your customers but that money is ring fenced and secondly – so you need to make sure that you manage cash appropriately. Number three there was a process in place that we're looking at acquisitions so it's looking at the valuation of the businesses that you were looking at acquiring and the standard contracting around that and then also, how do we deal with the findings of audits, both from your external audits and your internal audits and making sure that you're managing your risk in that regard. So the Audit Committee, in most instances is the filter for Boards to make sure that you interrogate numbers, controls and risks quite deeply.

CHARIPERSON: Would it be correct to say it's a critical committee in any Board, in any Company?

MS MARTIE JACOBA JANSE VAN RENSBURG: Yes Chair.

CHARIPERSON: It is?

MS MARTIE JACOBA JANSE VAN RENSBURG: Yes Chair.

CHARIPERSON: And in the absence of a Board member with that kind of expertise would the position have been that the Board would have had to rely on executive – members of the executive management for advices in regard to risk and auditing matters?

MS MARTIE JACOBA JANSE VAN RENSBURG: Yes Chair.

CHARIPERSON: And how desirable is it that the Board should rely on that advice without the advice of an independent person such as would have been the case if there was a member of the Board who is not an executive who had the skills and expertise to
10 advise the Board?

MS MARTIE JACOBA JANSE VAN RENSBURG: Chair you're running the risk that you do not know the deeper details and that you do not identify the risks, you cannot interrogate that's been put in front of you in an appropriate manner.

CHARIPERSON: At this stage I don't know as to when – after the Board had been appointed somebody was appointed who had the financial expertise who may have been a chartered accountant and the legal team must look at that, that we must know exactly when that gap was filled, so I don't know. To what extent would that challenge have had an impact on the job – in the financial performance of the company that we were told about yesterday after 2016, are you able – is that something you are able to
20 say that it would have had an impact or is that something that you would be unable to say?

MS MARTIE JACOBA JANSE VAN RENSBURG: Chair, there may be – maybe from an outsider point of view that I can give you some views. An Audit and Risk Committee interrogates also strategic decisions so for instance, the decision to turn around and not to continue with the equity partnership with the land systems or the DBS acquisition,

you needed to run the numbers to understand the impact on the financial position of Denel by making that decision. For instance in the 2014 May Board meeting where the Board decided to proceed with the transaction, the Audit and Risk Committee was tasked with reviewing the valuations, interrogating the numbers that were put on the table. So the Audit and Risk Committee was the filter for the Board on an ongoing basis as required to be able to interrogate those type of transactions and the impact on Denel itself.

So I would foresee that if there is not a suitably skilled Audit and Risk Committee they could not fully fulfil that type of mandate from a Boards side, so you

10 open up the port to take the wrong decisions. So I just tried to contextualise it in the history but looking forward, I would say there was a risk, I don't know if it's true but I think there was a risk that they could not have probably applied their minds appropriately or were not tasked to actually interrogate that type of information and other transactions. To note at the Denel Audit and Risk Committee we also dealt, in depth, with progress on key programmes that Denel was busy with. For instance all the long-term contracts that Denel entered into, there was detailed reporting done around progress to date, costs to complete, what are the challenges, are you making suitable progress against the base line programme around it. That information was then also included in the quarterly report that was submitted to the shareholder and I think the

20 representative from DPE yesterday, also referred to quarterly reports submitted by State owned entities. So if you are interested to see, I think the DPE can also make such a report available to you to see what is the type of information – I know (indistinct) the 2015 and before that one look like but there was detailed reporting. Going back to that is the Audit Committee needs to apply their minds and what they need to say is, do we need different action to bring this back on track, we need to report back to the Board

and say, we need to have specific dedicated action because we see problems arising in a specific programme and we needed to alert the Board to that, so that was part of the Audit and Risk Committee function also in that and then secondly, obviously it was also then necessary to see, how over the period of time, you look at revenue recognition of a contract as well as the profit recognition because over a multi-year contract you do not take the money upfront into the results and the profits upfront into the results, it's spread over a period of time.

So it is technical accounting but that is part of the role of the audit and risk committee specifically Denel in my time we looked at that too.

- 10 **CHAIRPERSON:** Well we have been speaking about the removal of the 2011 board but I just want to check with you was it a removal in the strict sense in the sense that people were removed before the expiry of their terms or was it a situation simply that their terms came to an end and it was up to the Minister to extend and she did not extend and because of the context in which this happened we refer to it as a removal?

MS MARTIE JACOBA JANSE VAN RENSBURG: Chair I think it is probably a little bit both and the reason why I am saying that is if we look at the majority of the board members was appointed then in 2011.

CHAIRPERSON: Yes.

- 20 **MS MARTIE JACOBA JANSE VAN RENSBURG:** So their term came to an end in 2014.

CHAIRPERSON: Yes.

MS MARTIE JACOBA JANSE VAN RENSBURG: The members that was appointed before that on the 2000 – that was appointed in 2010 it was myself and Advocate Badela.

CHAIRPERSON: Yes.

MS MARTIE JACOBA JANSE VAN RENSBURG: That was left from that board that was appointed during that period of time.

CHAIRPERSON: Yes.

MS MARTIE JACOBA JANSE VAN RENSBURG: So our terms were extended. Just to note Ms Paledi was in the 2010 appointment we had four members. It was myself, Ms Paledi, Advocate Badela, Professor Marwala and Advocate – no sorry those were the three of us that actually joined the board in 2010.

CHAIRPERSON: Yes.

MS MARTIE JACOBA JANSE VAN RENSBURG: All the other board members joined
10 in 2011 which was the majority.

CHAIRPERSON: Yes.

MS MARTIE JACOBA JANSE VAN RENSBURG: Of the board. As I said Doctor Cruywagen's terms was already he was appointed in 2008. So just to note in 2013 the terms – my term specifically was extended for one year only by Minister Gigaba. Minister Gigaba I did not think was a big supporter of 3 term boards.

CHAIRPERSON: Of – a free supporter of?

MS MARTIE JACOBA JANSE VAN RENSBURG: Of boards that served three terms.

CHAIRPERSON: Oh okay.

MS MARTIE JACOBA JANSE VAN RENSBURG: So – but at that stage I was – my
20 term was renewed for one year and then in the 2014 AGM my term was extended for another year. So...

CHAIRPERSON: By Minister Brown?

MS MARTIE JACOBA JANSE VAN RENSBURG: By Minister Brown.

CHAIRPERSON: Yes.

MS MARTIE JACOBA JANSE VAN RENSBURG: So what was happening was that

the term of board members that could have gone longer so if the 2003 term was not one year extension was not one year but a three year extension my term would have then ended in 2016/17 – 17 so it is 2013 plus another three years. So it was by how can I say I do not know if it is by design I cannot say it is design I cannot speak a bit on that.

CHAIRPERSON: Yes, yes.

MS MARTIE JACOBA JANSE VAN RENSBURG: But we were in an unfortunate situation that the board's terms all of them ended at the same time.

CHAIRPERSON: Yes.

- 10 **MS MARTIE JACOBA JANSE VAN RENSBURG**: And it was because the process was not management appropriately also when other board members term expired or terminated the three year term terminated in the years before 2014.

CHAIRPERSON: Did the date of leaving let me call it that of some of the board – members of the board coincide with the date when the one year extension that had been effected by Minister Brown came to an end anyway in regard to some of them at least.

MS MARTIE JACOBA JANSE VAN RENSBURG: Yes he did.

CHAIRPERSON: Or not really.

- MS MARTIE JACOBA JANSE VAN RENSBURG**: That is where Ms Paledi and
20 Professor Marwala indicated that they are not available for that one year extension.

CHAIRPERSON: Ja but now I am talking about later. The extension was effected for one year by Minister Brown.

MS MARTIE JACOBA JANSE VAN RENSBURG: Yes.

CHAIRPERSON: I take it that that may have the extension might have affected some of the members and not all – but not all because maybe some of the members without

the extension would have had to go but others would have been able to continue for some time even without that extension?

MS MARTIE JACOBA JANSE VAN RENSBURG: The person that was affected by that was Doctor Cruywagen.

CHAIRPERSON: Ja.

MS MARTIE JACOBA JANSE VAN RENSBURG: Because he was in the first portion of his – his third term.

CHAIRPERSON: Yes. So but every board member left because his or her term either as extended or not extended had come to an end.

10 **MS MARTIE JACOBA JANSE VAN RENSBURG:** Yes.

CHAIRPERSON: And nobody had his or her term terminated before it came to an end and when I say term I include the extended term. Is that right?

MS MARTIE JACOBA JANSE VAN RENSBURG: Yes Chair because...

CHAIRPERSON: So that would be correct?

MS MARTIE JACOBA JANSE VAN RENSBURG: Minister Brown indicated at the 2104 AGM where all the terms came to an end.

CHAIRPERSON: Yes.

MS MARTIE JACOBA JANSE VAN RENSBURG: And I think there is documentation in – within the Department of Public Enterprises.

20 **CHAIRPERSON:** Yes.

MS MARTIE JACOBA JANSE VAN RENSBURG: Also that deals with it.

CHAIRPERSON: Yes.

MS MARTIE JACOBA JANSE VAN RENSBURG: Was that at the end of the three year term was then for a majority of the board members.

CHAIRPERSON: Yes. But the fact of the matter I would imagine you would be saying

is that when the term of a number of board members came to an end in 2014 their terms could have been extended by a full term of three years?

MS MARTIE JACOBA JANSE VAN RENSBURG: Yes Chair.

CHAIRPERSON: But it was not done like that.

MS MARTIE JACOBA JANSE VAN RENSBURG: It was not done.

CHAIRPERSON: Yes.

MS MARTIE JACOBA JANSE VAN RENSBURG: So what I am indicating here is that there was a number of board members – there was nine of the board members available for the term.

10 **CHAIRPERSON**: Yes.

MS MARTIE JACOBA JANSE VAN RENSBURG: That could have been extended.

CHAIRPERSON: Yes.

MS MARTIE JACOBA JANSE VAN RENSBURG: For a three year period.

CHAIRPERSON: Yes and such extension was not given to them?

MS MARTIE JACOBA JANSE VAN RENSBURG: Yes. They were illegible with our memorandum of corporation.

CHAIRPERSON: Yes.

MS MARTIE JACOBA JANSE VAN RENSBURG: To be extended.

20 **CHAIRPERSON**: Yes. My recollection is that the 2011 board had seems to have a reasonable mix in terms of race, is that correct?

MS MARTIE JACOBA JANSE VAN RENSBURG: Yes Chair we had to diversity in skills and diversity around representation.

CHAIRPERSON: Yes. And in terms of gender I guess that may have been – it may have been lacking a bit there?

MS MARTIE JACOBA JANSE VAN RENSBURG: Chair we were 2014 board we were

four females.

CHAIRPERSON: Four females and five males?

MS MARTIE JACOBA JANSE VAN RENSBURG: Ja, ja.

CHAIRPERSON: Is that right?

MS MARTIE JACOBA JANSE VAN RENSBURG: Five, we were five females.

CHAIRPERSON: Five females.

MS MARTIE JACOBA JANSE VAN RENSBURG: Ja.

CHAIRPERSON: You said the total was nine.

MS MARTIE JACOBA JANSE VAN RENSBURG: Ja but then Ms Paledi left so we

10 were left with four.

CHAIRPERSON: Yes.

MS MARTIE JACOBA JANSE VAN RENSBURG: And the original appointment of the
2011 board we had five females.

CHAIRPERSON: Yes.

MS MARTIE JACOBA JANSE VAN RENSBURG: Then we have the extension from
2014 AGM.

CHAIRPERSON: Yes.

MS MARTIE JACOBA JANSE VAN RENSBURG: Ms Paledi left so then we were only
four females.

20 **CHAIRPERSON**: But would it be fair to say both in terms of race and in terms of
gender.

MS MARTIE JACOBA JANSE VAN RENSBURG: It was represented.

CHAIRPERSON: There was no big complaint?

MS MARTIE JACOBA JANSE VAN RENSBURG: There was not a big complain no
Chair.

CHAIRPERSON: There was no big complaint ja. And in terms of the new board the 2015 board how was it in terms of representation of different races and how was it in terms of gender representation?

MS MARTIE JACOBA JANSE VAN RENSBURG: Chair I have not analysed the 2015 board.

CHAIRPERSON: Oh you have not looked at that.

MS MARTIE JACOBA JANSE VAN RENSBURG: Professional ...

CHAIRPERSON: Okay, okay

MS MARTIE JACOBA JANSE VAN RENSBURG: Approach to be a professional
10 director you do not criticise people that come after you.

CHAIRPERSON: No, no that is fine, that is fine. We can look at that ourselves. I thought you might have a notice. So but certainly in terms of the 2011 board you are able to say you do not think that the reason why it may not have been allowed to continue might have been to advance transformation in terms of race or gender?

MS MARTIE JACOBA JANSE VAN RENSBURG: No Chair we...

CHAIRPERSON: Because it was quite...

MS MARTIE JACOBA JANSE VAN RENSBURG: Out of the board members we had one white male, one white female and the rest of the board members were black.

CHAIRPERSON: Ja.

20 **MS MARTIE JACOBA JANSE VAN RENSBURG**: And as we said the gender diversification was four female and five male.

CHAIRPERSON: Yes.

MS MARTIE JACOBA JANSE VAN RENSBURG: So it was technically balanced in that way.

CHAIRPERSON: So – so it might be difficult to say the need for not retaining it or most

of its members was based on the need to transform in terms of race or the need to transform in terms of gender and it would be in the light of its performance to which you testified this morning to which the Deputy Director General testified yesterday also testified in terms of skills and performance it has done quite well. In terms of skills he only noted area was that maybe they should be more than one Chartered Accountant but other than that in terms of performance and in terms of the mix of skills and expertise in terms of gender in terms race everything seemed to be fine?

MS MARTIE JACOBA JANSE VAN RENSBURG: Yes Chair your summary is correct.

CHAIRPERSON: Yes. Okay thank you. Anything?

- 10 **ADV ZINHLE BUTHELEZI:** Yes Chair. Looking at what the questions that came from the Chair looking at the fact that the 2015 board decided on the Denel Asia transaction the fact that they did not have someone with the financial skills would that have –would that have exposed Denel into making a wrong decision seeing that they did not have someone I am borrowing from your words to interrogate the numbers at the time?

MS MARTIE JACOBA JANSE VAN RENSBURG: Chair my consideration of that yes it could be possible that they could not – or did not necessarily consider all the aspects if they had not all the skills in place so it could have played a role.

ADV ZINHLE BUTHELEZI: Yes.

MS MARTIE JACOBA JANSE VAN RENSBURG: Definitely.

- 20 **ADV ZINHLE BUTHELEZI:** And one last question is that the Audit and Risk Committee how does it get appointed? Does it get appointed by the Minister or is it done after your deliberation as board members?

MS MARTIE JACOBA JANSE VAN RENSBURG: Okay the process of appointing Audit and Risk Committees is the board makes proposals to the Minister but at the shareholder meeting in terms of the Company's Act and in terms of our MOI the

shareholder at the AGM appoints the members of the Audit and Risk Committee.

CHAIRPERSON: Now that is interesting I assumed that committees of the board would be appointed or decide upon by the board because they are board committees but what you are saying is that certainly in relation to the Risk and Audit Committee it is not just the board. The board may have a role to play but ultimately it is the Minister who appoints that committee?

MS MARTIE JACOBA JANSE VAN RENSBURG: Ja. Ja it is true. And just not – even in private sector your shareholders appoint the Audit Committee.

CHAIRPERSON: The other committees of the board?

10 **MS MARTIE JACOBA JANSE VAN RENSBURG**: No.

CHAIRPERSON: They are appointed by the board itself?

MS MARTIE JACOBA JANSE VAN RENSBURG: By the board.

CHAIRPERSON: By way of voting?

MS MARTIE JACOBA JANSE VAN RENSBURG: By voting.

CHAIRPERSON: Yes.

MS MARTIE JACOBA JANSE VAN RENSBURG: You know there is a deliberation process not all of the state owned entity boards have a nominations committee.

CHAIRPERSON: Yes.

20 **MS MARTIE JACOBA JANSE VAN RENSBURG**: If you have a nominations committee it is usually the chairman of the board that is the chairman of the nominations committee, the company's secretary gives input as well as the MD or the Chief Executive Group Executive gives input and other members of the board sits on the nominations committee, In instances where you do not have such a nominations committee it is a consideration process of allocation of resources to the appropriate committees and it is brought back to the board to approve.

CHAIRPERSON: So – so the Risk and Audit committee is the only committee of the board of Denel that was required to be appointed by the Minister?

MS MARTIE JACOBA JANSE VAN RENSBURG: Yes by the shareholder yes Chair.

CHAIRPERSON: Yes. I assume that might be because of its singular importance?

MS MARTIE JACOBA JANSE VAN RENSBURG: Yes Chair.

CHAIRPERSON: It is a very important committee?

MS MARTIE JACOBA JANSE VAN RENSBURG: Yes Chair as I said even in private sector.

CHAIRPERSON: Yes.

10 **MS MARTIE JACOBA JANSE VAN RENSBURG:** It plays quite an important role.

CHAIRPERSON: Yes.

MS MARTIE JACOBA JANSE VAN RENSBURG: And so that is why there is a shareholder vote on it and in the instance for public sector entities like state owned entities it is appointed by the Minister and her role as shareholder or his role.

CHAIRPERSON: Well I am sure – I am sure we will hear from the Minister in due course but it makes it all the more stranger why in appointing the members of the board she did not make sure that there was at least one person who had the right expertise and skills to serve on the Risk and Audit committee such an important committee. But we will hear from her in due course and I do not think you would be able to say much in
20 that regard?

MS MARTIE JACOBA JANSE VAN RENSBURG: Yes Chair I could not read the Minister's mind.

MS MARTIE JACOBA JANSE VAN RENSBURG: Ja no thank you.

MS MARTIE JACOBA JANSE VAN RENSBURG: Thank you.

ADV ZINHLE BUTHELEZI: Thank you Chair that will be all from my side.

CHAIRPERSON: Thank you. You have something you want to say?

MS MARTIE JACOBA JANSE VAN RENSBURG: Chair just one aspect that I forgot to deal with under the paragraphs 31 to 37 on the LAN systems or the Denel Vehicle Systems Acquisition.

CHAIRPERSON: YEs.

ADV ZINHLE BUTHELEZI: YEs.

MS MARTIE JACOBA JANSE VAN RENSBURG: And if I can recall correctly from public comment there was remarks made around the nature of the funding that was put in place because some it was longer term and some shorter term. And just to note that
10 the consideration there was if you put longer term funding in place for the full purchase price by the time the equity partner that was planned and sought and in the process of being put in place if you have to repay a long term loan before its due then there is penalty charges. So you would pay breakage cost in that type of things so that is why there was a shorter term funding leg approved and not all of it long term funding.

CHAIRPERSON: No that is fine. I know that you said that when there is a review of the board to see who must continue who must not continue you – no-one wants to or you would not want to create the impression that you want to have your term extended but when your – when the 2011 board had to leave were you available and willing to continue if you had been asked to?

20 **MS MARTIE JACOBA JANSE VAN RENSBURG:** Yes Chair I was as well as a number of the other board members.

CHAIRPERSON: Yes. And you were the only Chartered Accountant in that board and if you had been asked you would have been able to actually serve in that – or Risk and Audit committee I would have imagined.

MS MARTIE JACOBA JANSE VAN RENSBURG: Yes Chair.

CHAIRPERSON: Yes. Okay. Thank you very much for coming to give evidence we appreciate it. For now you are excused. If later on we should need you to come back you will be contacted and I am sure you will make yourself available.

MS MARTIE JACOBA JANSE VAN RENSBURG: Thank you Chair.

CHAIRPERSON: Thank you very much.

MS MARTIE JACOBA JANSE VAN RENSBURG: And thank you Counsel.

CHAIRPERSON: Thank you.

ADV ZINHLE BUTHELEZI: Thank you Chair. Chair my next witness if Mr Jiyane. I was going to ask for a just a five minutes break to ...

10 **CHAIRPERSON**: Well we are about the – about to get ...

ADV ZINHLE BUTHELEZI: It is ten to one I am told.

CHAIRPERSON: Ja. So we may as well resume at two. We may as well take the adjournment now.

ADV ZINHLE BUTHELEZI: Thank you Chair.

CHAIRPERSON: And then we will resume at two and then he should be ready then.

ADV ZINHLE BUTHELEZI: He will be ready thank you Chair.

CHAIRPERSON: We are going to take the lunch adjournment and we will resume at two. We adjourn.

INQUIRY ADJOURNS

20 **INQUIRY RESUMES**

CHAIRPERSON: Yes Ms Buthelezi.

ADV ZINHLE BUTHELEZI: Thank you Chair. My next witness is Mr Madoda Jiyane. His evidence will cover.

CHAIRPERSON: Madoda John Jiyane?

ADV ZINHLE BUTHELEZI: Yes. He is a former COO, a shareholder and a Director of

VR Laser. VR Laser is the contract that was later used or in the creation of the subsidiary, VR Laser Asia. Mr Jiyane's evidence will or Mr Jiyane will give us information on how VR Laser ended up in the Gupta linked company. His evidence bundle is on EXHIBIT W3.

CHAIRPERSON: Yes.

ADV ZINHLE BUTHELEZI: Chair, may I request that the witness be sworn in?

REGISTRAR: Please state your full names for the record.

MADODA JOHN JIYANE: I am Madoda John Jiyane.

REGISTRAR: Do you have any objections to taking the prescribed oath?

10 **MADODA JOHN JIYANE:** No, I do not have any.

REGISTRAR: Do you consider the oath to be binding on your conscience?

MADODA JOHN JIYANE: Yes.

REGISTRAR: Do you swear that the evidence you will give will be the truth, the whole truth and nothing but the truth if so please raise your right hand and say so help me God.

MADODA JOHN JIYANE: So help me God.

MADODA JOHN JIYANE: (duly sworn, states)

CHAIRPERSON: Thank you. You may proceed Ms Buthelezi.

20 **ADV ZINHLE BUTHELEZI:** Thank you Chair. Mr Jiyane there are three bundles in front of you. There is a file marked EXHIBIT W3. That file contains your statement and then there are two other reference files which are marked W5A and W5B.

MADODA JOHN JIYANE: That is correct.

ADV ZINHLE BUTHELEZI: Yes. We will then use those three files in leading your evidence. Thank you. Mr Jiyane do you confirm that the document that appears on page 1 which is marked MJJ01 up to MJJ22 on EXHIBIT W3 is the statement that you

made for this Commission?

MADODA JOHN JIYANE: That is correct.

ADV ZINHLE BUTHELEZI: And do you confirm the signature that appears on page 22 of that document to be your signature?

MADODA JOHN JIYANE: Yes, I confirm.

ADV ZINHLE BUTHELEZI: Before you confirm the correctness of this document are there any corrections that you intend to make on this document?

MADODA JOHN JIYANE: Yes, I do have some corrections to make.

ADV ZINHLE BUTHELEZI: Please take us there.

10 **CHAIRPERSON:** You will just have to raise your voice Mr Jiyane.

MADODA JOHN JIYANE: Okay. Thank you Chair.

CHAIRPERSON: Okay.

MADODA JOHN JIYANE: If you go to page 9.

CHAIRPERSON:

ADV ZINHLE BUTHELEZI: Yes.

MADODA JOHN JIYANE: At the top of the page where the ending of paragraph 28. I want to make a correction that Essar Capital is spelt incorrectly. It should be Issar Capital with an I instead of an E.

ADV ZINHLE BUTHELEZI: Yes.

20 **MADODA JOHN JIYANE:** And where Issar Capital appears as E can you correct it to I. I do not know whether you want us to go through each and every paragraph.

ADV ZINHLE BUTHELEZI: We can go through I see it in paragraph 33.

MADODA JOHN JIYANE: Well let us start with 29.

ADV ZINHLE BUTHELEZI: Yes.

MADODA JOHN JIYANE: Paragraph 29.

ADV ZINHLE BUTHELEZI: Yes.

MADODA JOHN JIYANE: And paragraph 30 and paragraph 33.

ADV ZINHLE BUTHELEZI: Yes.

MADODA JOHN JIYANE: And paragraph 35.

CHAIRPERSON: There is two times in paragraph 35.

MADODA JOHN JIYANE: Sorry Chair.

CHAIRPERSON: It looks like there are two areas in paragraph 35 where the correction should be made, line 2 and line 3 or is it different people?

MADODA JOHN JIYANE: No, it is different people Chair.

10 **CHAIRPERSON:** Oh, okay.

MADODA JOHN JIYANE: Ja.

CHAIRPERSON: Which one of those should be corrected?

MADODA JOHN JIYANE: We are correcting Essar Capital as Essar to Issar.

CHAIRPERSON: Oh, okay.

ADV ZINHLE BUTHELEZI: Line 2 of paragraph 35.

CHAIRPERSON: Oh, okay. Thank you.

MADODA JOHN JIYANE: That is the first correction.

ADV ZINHLE BUTHELEZI: Yes. What will be your next correction?

MADODA JOHN JIYANE: My next correction is on page 17, 1-7.

20 **ADV ZINHLE BUTHELEZI:** Yes.

MADODA JOHN JIYANE: Paragraph 5-6 where it reads West Dawn I want it to be corrected Westdawn Investments as one word, Westdawn Investments.

ADV ZINHLE BUTHELEZI: So where it says Western Dawn?

MADODA JOHN JIYANE: That is correct.

ADV ZINHLE BUTHELEZI: It should be West Dawn.

MADODA JOHN JIYANE: Westdawn as one word, Investments.

ADV ZINHLE BUTHELEZI: Yes and that appears twice in that paragraph?

MADODA JOHN JIYANE: That is correct.

ADV ZINHLE BUTHELEZI: It is on.

MADODA JOHN JIYANE: Paragraph.

ADV ZINHLE BUTHELEZI: The third line from the bottom of the paragraph.

MADODA JOHN JIYANE: Paragraph 56, *ja*.

ADV ZINHLE BUTHELEZI: In paragraph 56. Thank you.

MADODA JOHN JIYANE: My next correction is on page 1-8.

10 **ADV ZINHLE BUTHELEZI:** Yes.

MADODA JOHN JIYANE: Paragraph 6-0.

ADV ZINHLE BUTHELEZI: Yes.

MADODA JOHN JIYANE: Where it reads “at various” on the first line. Can that be changed to “at one management meeting”, not meetings?

ADV ZINHLE BUTHELEZI: So the S that is on the second line we also delete?

MADODA JOHN JIYANE: Also to be corrected.

ADV ZINHLE BUTHELEZI: Okay. Are there any other corrections?

MADODA JOHN JIYANE: Yes. The last two is on page 21.

ADV ZINHLE BUTHELEZI: Yes.

20 **MADODA JOHN JIYANE:** In paragraph 73.

ADV ZINHLE BUTHELEZI: Yes.

MADODA JOHN JIYANE: I want to change that subsequently to read as follows:

“Subsequently VRLS was shortlisted and engagements directly
with Denel commenced.”

CHAIRPERSON: So we should delete the tender came out and?

MADODA JOHN JIYANE: Replace it with the following Chair.

MADODA JOHN JIYANE: Yes I do.

ADV ZINHLE BUTHELEZI: Mr Jiyane I want you to give us your personal history as to who you are and your education background? Shortly, be as crisp and short as you can.

MADODA JOHN JIYANE: Thank you. My name is Madoda John Jiyane. I am also known as Benny which is my nickname which I also use as my business trading name. I am an adult male entrepreneur or businessman and currently a shareholder and Director of SVI which is Special Vehicle Innovation and SME which is Specialist Mechanical Engineers amongst other directorships. Both companies involved in the
10 Engineering, Steel and the Defence Industry. I do not know whether you want me to go through my educational background until when I started to work in 1985.

CHAIRPERSON: Not really, just what you consider important you can mention, but you do not have to go through all of that.

MADODA JOHN JIYANE: Okay.

CHAIRPERSON: *Ja.*

MADODA JOHN JIYANE: I do not think, probably I think it is better for us to.

CHAIRPERSON: Yes.

MADODA JOHN JIYANE: To get straight to the matter.

CHAIRPERSON: Okay, alright. Yes.

20 **ADV ZINHLE BUTHELEZI:** Thank you. Do you confirm that you were one of VR Laser South Africa shareholders starting from 2007?

MADODA JOHN JIYANE: Yes, I confirm together with my wife. We own shares at VR Laser Services at that time and the shares were transferred from my name to my wife's name for strategic reasons, but we are both married in community of property. So it does not matter who holds the shares.

ADV ZINHLE BUTHELEZI: And how much was your stake at VR Laser?

MADODA JOHN JIYANE: At the beginning it was 30 percent and later it was reduced to 25.1 percent.

ADV ZINHLE BUTHELEZI: Yes and you confirm that Mr Gary Bloxham and Mr John Van Reenen were your?

MADODA JOHN JIYANE: Partners.

ADV ZINHLE BUTHELEZI: Core shareholders?

MADODA JOHN JIYANE: Yes, I confirm and I just want to bring to the Chair that John Van Reenen passed away last week.

10 **ADV ZINHLE BUTHELEZI:** And other than being a shareholder at VR Laser what other role did you play in this company?

MADODA JOHN JIYANE: I started as a Marketing Director when I joined on 1 April 2008 as an Active Executive Director and my role started in marketing running the business in terms of growth and later on I became the CEO, Chief Operating Officer.

ADV ZINHLE BUTHELEZI: Yes. We are now aware that around 2013, 2014 VR Laser was transferred to the Gupta linked companies. I want you to tell us as to how you got introduced to the people who negotiated the sale of your shares.

20 **MADODA JOHN JIYANE:** The background is that at the time when I was in charge of VR Laser Services my other co-partners we were negotiating the reduction of the value of the price of the business at a time when I bought in and part of those negotiations were about their exit package. So we negotiated until we found a deal together as the three shareholders but if I can raise 120 million to buy them out I could have their share of the business together with the property of the company.

ADV ZINHLE BUTHELEZI: In which year was this?

MADODA JOHN JIYANE: This was in 2012.

ADV ZINHLE BUTHELEZI: Yes and when did you get introduced then to the Gupta linked companies?

MADODA JOHN JIYANE: So the background to that, I went around looking for a financier to finance this 120 million shareholder buy out. Unfortunately I did not come right, because at the time the economy was not that well and most of the banks were averse to financing such deals. I then also went around to look for other partners who can assist me to buy that share. Hence I also went to SSAB which is Swedish Steel Mill which was our major steel supplier and together with Denel because I had known
10 Denel and some of the Executive Members for many years. To me it was making sense to have VR Laser probably being bought as a partner by Denel because we are doing quite a lot of work for [indistinct] at that stage with the casspir problem.

ADV ZINHLE BUTHELEZI: Yes. Do you confirm that VR Laser was a South African company? You had no other business interest outside South Africa?

MADODA JOHN JIYANE: Yes. VR Laser was a South African company and it was owned by shareholders who are South Africans. I can confirm that.

ADV ZINHLE BUTHELEZI: And how much value did you attach to this company?

MADODA JOHN JIYANE: This business as I reflected in my statement it comes from an era of the old rooinek hostel business which was the defence company in South
20 Africa prior to 1994. It was unbanded from that time, but unfortunately it did not take its stage in terms of manufacturing of defence equipment. So when I joined I made sure that we can grow this business back to its glory days and to make sure that all the role players in the defence industry have this available to them. So we regarded this business from other quarters that it is quite important as a sovereign capability in terms of manufacturing armoured vehicles in South Africa.

ADV ZINHLE BUTHELEZI: Yes. In paragraph 27 of your statement you mention the names of the Denel Executive Members that you contacted. One of which was Mr Riaz Saloojee, Mr Zwelakhe Ntshepe and Mr Stephan Burger.

MADODA JOHN JIYANE: That is correct. I had always direct links with the following people: Rias Saloojee was the Group CEO of Denel at the time. We have been members also of the Board of AMD. So we know each other very well and Zwelakhe Ntshepe was the Business Development Executive of Denel and also we knew each other very well and Stephan Burger who was the CEO of DLS at the time. We also knew each other very well. So I shared this with them to understand the
10 importance of VR Laser that if it has to go to other shareholders who are outside the country it will be a shame to South Africa to lose that capability.

ADV ZINHLE BUTHELEZI: Yes. By them you are referring to the three?

MADODA JOHN JIYANE: I refer to the three gentlemen who I met on separate occasions.

ADV ZINHLE BUTHELEZI: Oh, it was on separate occasions?

MADODA JOHN JIYANE: It was on separate occasions.

ADV ZINHLE BUTHELEZI: Yes. In February 2013 just take us to what happened there?

MADODA JOHN JIYANE: *Ja*, in February 2013 we were exhibiting as VR Laser in the
20 IDEX Show in Abu Dhabi in UAE and Denel was also exhibiting there. Zwelakhe came to me and said he wants to introduce me to a gentleman [indistinct].

CHAIRPERSON: That is Mr Ntshepe?

MADODA JOHN JIYANE: Yes, Mr Zwelakhe Ntshepe.

CHAIRPERSON: Mr Ntshepe, *ja*.

MADODA JOHN JIYANE: Sorry Chair.

CHAIRPERSON: *Ja.*

MADODA JOHN JIYANE: He said to me he wants to introduce me to a gentleman by the name of Salim Essa who might assist me in terms of my acquisition.

ADV ZINHLE BUTHELEZI: Did you know this person? Did you know his business at first?

MADODA JOHN JIYANE: I did not know at the time. So I met him briefly for about five or 10 minutes. Just a quick chat and he said to me should rather meet in South Africa when we are back in South Africa to carry on with the discussions.

ADV ZINHLE BUTHELEZI: Yes. The two other people who you mentioned from
10 Denel, Riaz and Burger what did they say to you when you approached them regarding this/

MADODA JOHN JIYANE: They also agreed that it is very important to keep VR Laser as South African owned because it was a key player not just for Denel but for the entire defence industry. We are the manufacturers of all defence equipment in terms of armoured vehicles for the whole defence industry in South Africa.

ADV ZINHLE BUTHELEZI: Okay. What made it special?

MADODA JOHN JIYANE: What made it special was that it had high tech equipment. It had high tech people who were working for the company and the expertise which usually in a country like South Africa we would not find very easily. If I can just
20 compare our only competitors who were from the first world countries. We had other two companies. One was DEMA in USA and the other was called MLT in the UK and a German company called Quanto Steel. So we were really a world class business in terms of that competition and we were recognised internationally at that time.

ADV ZINHLE BUTHELEZI: Okay. Then take us to what happened in March 2013. You deal with that from paragraph 30 of your statement.

MADODA JOHN JIYANE: Just before I say that I just want to emphasise how important we were. At the time BAE Systems which was the major manufacturer of armoured vehicles which was subsequently acquired by Denel was our major customer, because all their products were cut and burned at VR Laser Services for their South African operations and for the US operations.

ADV ZINHLE BUTHELEZI: Okay. Thank you Mr Jiyane. Then you may proceed and tell us what happened in paragraph 30.

MADODA JOHN JIYANE: Okay. I then met at the time when I returned back to South Africa with Mr Salim Essa and he introduced me to his partner Iqbal Sharma. They
10 were both owning Issar Capital. That is why I was making that correction earlier.

ADV ZINHLE BUTHELEZI: Yes.

MADODA JOHN JIYANE: Which was an investment company. They were keen to do the deal with me. I explained the whole deal to them. I explained that we wanted to increase our shareholding from 25.1 to 30 percent again and also we want to participate in the property company of which I was not a participant earlier on and they all agreed to that and that I was going to be the CEO of the company as I was already running the company, because the CEO then Gary Bloxham had almost semi-retired because he was not well and John Van Reenen was not a participant in the business. So it was important for me to clear that first with them to understand whether they want
20 to be partners or not and we all agreed and they all agreed that we should do the deal.

ADV ZINHLE BUTHELEZI: Yes. Did you know Mr Sharma?

MADODA JOHN JIYANE: I did not know Mr Sharma. I was introduced to him by Mr Salim Essa.

ADV ZINHLE BUTHELEZI: Were you aware of his business interests?

MADODA JOHN JIYANE: I was not aware to be honest with you. I only later found out

that he was also a Non-Executive Director of Transnet.

ADV ZINHLE BUTHELEZI: Of Transnet?

MADODA JOHN JIYANE: Of Transnet.

ADV ZINHLE BUTHELEZI: Thank you and your negotiations with Essa and Mr Sharma did they go anywhere? Did they yield any results?

MADODA JOHN JIYANE: Yes. They introduced me to Ernest & Young who were their transaction advisors. We submitted information for them to do the valuation of the business of which they came back with very positive results in terms of valuation of the business and I was waiting for them to put an offer on the table. They delayed a bit.

10 We were just getting worried that what was happening and towards the end of September or second week of September I got a call again from Mr Salim Essa to say we should have a meeting at Michelangelo together with Mr Sharma and with the new people they want to introduce to us who are going to do the deal. I was introduced at that meeting to [indistinct] and Jonathan Loeb of Regiments Capital who were the transaction advisors. I was together with my advocate, I mean my lawyer at the time [indistinct] Attorneys to do a transaction.

ADV ZINHLE BUTHELEZI: Yes and then at paragraph 35 you attach the two attachments MJJ1 and MJJ2 which are the agreements that were for the sale of.

MADODA JOHN JIYANE: VR.

20 **ADV ZINHLE BUTHELEZI:** VR Laser Properties and VR Laser.

MADODA JOHN JIYANE: Services.

ADV ZINHLE BUTHELEZI: Services.

MADODA JOHN JIYANE: That is correct. They put the offer on the table. We negotiated that offer. We had a little changes to make and they signed that subsequently about two days or three days later and emailed that to me for us to

introduce that to John Van Reenen. I did not want to introduce them to the two other shareholders at the time, because I was the one who was offered the shares and I did not want them to go behind my back to talk to the other shareholders without me being in control of the process. Hence I made sure first that we both agree and understand the transaction and we all agree how the transaction will pan out. After that we agreed and then I introduced them to the other two shareholders.

ADV ZINHLE BUTHELEZI: Yes. Was this deal finalised?

MADODA JOHN JIYANE: Yes. The deal did eventually go through and the transaction was concluded at the end of December. I was not privy to that transaction, because
10 they did the transaction now directly with the other two shareholders.

ADV ZINHLE BUTHELEZI: Hm.

MADODA JOHN JIYANE: But bearing in mind that we had an agreement that after that transaction has been completed we will go back and do my deal as we have agreed upon.

ADV ZINHLE BUTHELEZI: Yes and that was in December 2013?

MADODA JOHN JIYANE: That was December 2013. The company shut down roundabout 16 December. We went away on holiday and I assumed that everything is still intact.

ADV ZINHLE BUTHELEZI: And you were still holding on to your stake at VR Laser?

20 **MADODA JOHN JIYANE:** I was still holding on to my 25.1 percent there.

ADV ZINHLE BUTHELEZI: Who owned VR Laser Properties?

MADODA JOHN JIYANE: VR Laser Properties was owned by Nyati Blade Processing an entity which was later converted to VRLS Properties. The owners were both Gary and John Van Reenen who were the shareholders with a 74 percent shareholders in VR Laser Services.

ADV ZINHLE BUTHELEZI: So you had not stake?

MADODA JOHN JIYANE: I had no stake in the property company.

ADV ZINHLE BUTHELEZI: Okay, thank you and the deal was finalised in December.

You still held your stake on VR Laser Services?

MADODA JOHN JIYANE: That is correct.

ADV ZINHLE BUTHELEZI: Yes.

MADODA JOHN JIYANE: I had the 25.1 percent together with my wife.

ADV ZINHLE BUTHELEZI: Yes, but you had negotiated with Essa and Sharma that you will buy back your 4.9 percent?

10 **MADODA JOHN JIYANE:** That actually we agreed that I will get back my 4.9 percent because it was already in the value which was offered to me.

ADV ZINHLE BUTHELEZI: Yes.

MADODA JOHN JIYANE: Was the value offered to me at a discount. So we agreed that I will get back to 30 percent as when we start back with the transaction with the hope that with my performance we can always increase my shareholding based on the performance rules.

ADV ZINHLE BUTHELEZI: Okay and then you attach the contracts that were signed with Bloxham and Van Reenen?

MADODA JOHN JIYANE: That is correct.

20 **ADV ZINHLE BUTHELEZI:** It is MJJ3 and MJJ4?

MADODA JOHN JIYANE: Correct.

ADV ZINHLE BUTHELEZI: Yes. From paragraph 42 you deal with being introduced to new management at VR Laser Services.

MADODA JOHN JIYANE: Ja that.

ADV ZINHLE BUTHELEZI: Just take us through this? What happened here?

MADODA JOHN JIYANE: I was a little bit upset because I got a call from my Financial Manager as the company opened roundabout 6 January 2014. She called me to say there are gentlemen here who she does not recognise but they say they are the new owners of the company and she said to me what should I do. I said put them into the boardroom. I will make a plan to leave home, because I was still on leave then to arrive and talk to them. I then arrived at the office and I found four gentlemen.

ADV ZINHLE BUTHELEZI: Yes and.

MADODA JOHN JIYANE: Two of them I recognised because they were involved during the due diligence. Their names were J P Aurora who is late now and
10 Jacques Roux and the other two gentlemen introduced themselves as Mr Nath. The other one said I am Tony and I was a little bit agitated because Sharma or Essa did not call to let me know that there are two people or there are four people who are going to arrive and they wanted to talk to me. So I then excused myself and phoned Sharma at the time.

ADV ZINHLE BUTHELEZI: Yes.

MADODA JOHN JIYANE: I said I do not know these people. Will you let me know what is going on here? Then his reply was that no they represent the shareholder. So just work with them. I was a bit agitated at the time.

ADV ZINHLE BUTHELEZI: Hm.

20 **CHAIRPERSON:** One second. Thank you, you may proceed.

ADV ZINHLE BUTHELEZI: So this Tony did you get to know who Tony was.

MADODA JOHN JIYANE: I later found out that Tony is actually Rajesh Tony Gupta.

ADV ZINHLE BUTHELEZI: Yes. When you were in [intervenes].

CHAIRPERSON: I am sorry. So when these gentlemen came your percentage what was it?

MADODA JOHN JIYANE: It was 25.1 percent.

CHAIRPERSON: 25 percent.

MADODA JOHN JIYANE: 25.14 yes.

CHAIRPERSON: Oh, okay. Thank you.

ADV ZINHLE BUTHELEZI: Yes and during the negotiations was a stage where Sharma or Essa told you that they were negotiating this deal on behalf of someone else?

MADODA JOHN JIYANE: Not at all. Even when I introduced them to the other two shareholders that did not come out at all.

10 **ADV ZINHLE BUTHELEZI:** Yes. So all along you were labouring under the impression that you have entered into a contract with these two gentlemen

MADODA JOHN JIYANE: That is correct.

ADV ZINHLE BUTHELEZI: That is Essa and Sharma?

MADODA JOHN JIYANE: That is correct.

ADV ZINHLE BUTHELEZI: Yes. Then what happened then? These four people came to your offices and take us from there.

MADODA JOHN JIYANE: They came to the offices obviously after having a discussion with them after I have called Sharma that I must talk to them. Then they asked me a few questions about the business. I explained a little bit about how the business
20 operates and there after the other two gentlemen left and the two which is J P Aurora and Jacques Roux remained. They then wanted to address the staff which is my Executive Team. I said with no problem you can address them, but they did not want me to be involved. I got a little bit worried again. That what are these people doing in the company and what is their role in the business. At the time I got feedback from my staff that they said they actually have to report to them now and that was what started

upsetting me, because now my role as COO and still as a shareholder was being eroded by people I do not even know.

CHAIRPERSON: So you said Mr Sharma said that you must deal with those people.

They are new shareholders or?

MADODA JOHN JIYANE: He said they represent the shareholder.

CHAIRPERSON: They represent the shareholders and who were the shareholders just remind me again?

MADODA JOHN JIYANE: At the time the shareholders was Elgasolve which was owned by Salim Essa. He was the only shareholder of that company.

10 **CHAIRPERSON:** Oh, at that time?

MADODA JOHN JIYANE: Yes.

CHAIRPERSON: But you had that 25.1 share?

MADODA JOHN JIYANE: Correct.

CHAIRPERSON: So he was the majority shareholder?

MADODA JOHN JIYANE: He was the majority shareholder.

CHAIRPERSON: So there were only two share?

MADODA JOHN JIYANE: Shareholders.

CHAIRPERSON: Yes, shareholders?

MADODA JOHN JIYANE: That is correct.

20 **CHAIRPERSON:** Okay. So in effect he was saying to you they represented him?

MADODA JOHN JIYANE: Ja, but it was not him telling me. I was told by Mr Sharma, Iqbal Sharma.

CHAIRPERSON: Oh Mr Sharma yes, yes, yes, but that was the effect of that discussion?

MR MADODA JOHN JIYANE: That was the effect of the discussion.

CHAIRPERSON: Yes, and as at that time there being no discussion that had given you an indication that some new people would be coming here and wanting to talk to staff about the company and so on?

MR MADODA JOHN JIYANE: Nothing at all.

CHAIRPERSON: Yes.

MR MADODA JOHN JIYANE: The last time I conversed with them was in December, Mr Sharma and Mr Essa and the first time I conversed with him is when I phoned him after I had these gentlemen in my office and asking who are these.

CHAIRPERSON: Yes.

- 10 **MR MADODA JOHN JIYANE**: And I was still waiting for him to actually have a meeting with me as shareholders to discuss how we're going to move forward with the business.

CHAIRPERSON: Yes, yes, okay thank you.

ADV ZINHLE BUTHELEZI: Did you at any stage then meet Essa or Sharma to discuss this?

MR MADODA JOHN JIYANE: After ...(intervention)

ADV ZINHLE BUTHELEZI: After the incident yes.

MR MADODA JOHN JIYANE: After the January – not at all, I never even saw them after that.

CHAIRPERSON: These two gentlemen spoke to your staff?

- 20 **MR MADODA JOHN JIYANE**: Yes they spoke to my staff.

CHAIRPERSON: In your absence?

MR MADODA JOHN JIYANE: In my absence ja.

CHAIRPERSON: And you got feedback from your staff about part of what they had said?

MR MADODA JOHN JIYANE: Yes, that they have to report to them on a day to day

basis.

CHAIRPERSON: Yes, were you in the building?

MR MADODA JOHN JIYANE: I was in the building, yes I was in the building.

CHAIRPERSON: Did you have any discussion with the two gentlemen after they had met with the staff on that day?

MR MADODA JOHN JIYANE: I think probably I had after a day or so after, because I just, I was getting more actually irritated because I could see there was a little bit of hostility because I think I was being seen as being not cooperating of some sort.

CHAIRPERSON: Yes, but you hadn't done anything to show any unwillingness to
10 cooperate had you?

MR MADODA JOHN JIYANE: No I didn't do at all and I even advised my staff to cooperate with them.

CHAIRPERSON: Yes, yes, okay, thank you.

ADV ZINHLE BUTHELEZI: And then from paragraph 45 you said, you're saying you were very, you became very uncomfortable and you later deal with your reason for your unease, can you tell us why were you uncomfortable?

MR MADODA JOHN JIYANE: I was uncomfortable because I was the director of the company, these two gentlemen were not even directors of the company at all and my responsibility as a director and a shareholder was being eroded without recourse in any
20 way, and that's why I was a little bit uncomfortable. Not a little bit, I was really upset.

ADV ZINHLE BUTHELEZI: Yes and then did you then iron out your issues with these guys?

MR MADODA JOHN JIYANE: Eventually after I think about a week or two I then got really, really to a point where I could see that we are getting nowhere, because those other two gentlemen are not coming back because they said they will arrange a

meeting to have with me and they were not coming back, so I decided to confront JP Aurora and Jacques Roux to say I need to get out of this, because this is not what we negotiated and I am uncomfortable with this deal, I rather want to know who I should speak to, to sell my shares, I want to exit, otherwise I still have a recourse to unwind the whole deal because I still had calling of (indistinct) as a minority shareholder.

CHAIRPERSON: Ja.

ADV ZINHLE BUTHELEZI: But was it – what were your options as a minority shareholder?

10 **MR MADODA JOHN JIYANE:** The options were obviously limited but I think the law still protects you in terms of certain things which were negotiated and they were not met. I could go that route, and that's why I wanted to know what is their standpoint, do they want me to be part of the business or do they want me out, and it was very clear that they wanted me out.

ADV ZINHLE BUTHELEZI: Yes, and then from paragraph 52 ...(intervention)

CHAIRPERSON: Before that, prior to these two gentlemen coming to the company that you didn't know your relationship with the majority shareholder how had it been up to that point?

MR MADODA JOHN JIYANE: Which shareholder, the previous shareholder or the new shareholder?

20 **CHAIRPERSON:** No the one as at the date that the two gentlemen came to the company, you said there was a majority shareholder.

MR MADODA JOHN JIYANE: It was Salim Essa.

CHAIRPERSON: Yes, how was your relationship with him?

MR MADODA JOHN JIYANE: There was no relationship.

CHAIRPERSON: Yes, he just bought the shares ...(intervention)

MR MADODA JOHN JIYANE: He just bought those shares and he disappeared.

CHAIRPERSON: He just bought the shares and then there was nothing?

MR MADODA JOHN JIYANE: Ja.

CHAIRPERSON: Okay, okay, thank you.

ADV ZINHLE BUTHELEZI: Thank you, and then from paragraph 52 you deal with the sale of your shares?

MR MADODA JOHN JIYANE: Yes I go through that sale of my shares, the first thing I was upset because I'm now being betrayed now I've got to negotiate with people I don't even know, because JP Aurora said to me you've got to negotiate with me, so I then put
10 down my negotiation points because the point at the time was that at least I should be compensated the same as the other two shareholders which they bought out, so that was not even the starting point, he didn't want to go that route he said you are not going to get that money which you want, and we really got into a lot of arguments and it was really uncomfortable, it took me a couple of days and it really affected me because from a health point of view it started really working on me. I had to sit down with the family and decide that I think we should just accept what they offer and get out of there and that's how I eventually sold the shares.

ADV ZINHLE BUTHELEZI: And when was this?

MR MADODA JOHN JIYANE: It was sold probably roundabout the middle of February
20 when we signed our agreement.

ADV ZINHLE BUTHELEZI: 2014?

MR MADODA JOHN JIYANE: 2014 ja, just two/three weeks after all this.

ADV ZINHLE BUTHELEZI: But your initial intention was never to ...(intervention)

MR MADODA JOHN JIYANE: The initial intention was never to sell, I was very passionate about that business, I had built that business literally from just a steel

service centre to be a world class manufacturing facility.

ADV ZINHLE BUTHELEZI: Yes, and who then bought your shares?

MR MADODA JOHN JIYANE: The shares were bought by a company called Crashaw Investments, when I looked the company as a shelf company, that was my first reaction because I was concerned that who is buying my shares, if it was being bought by the other majority shareholder I would have understood because he was the majority shareholder and there's a new entity now which is buying my shares, then I got assurance from the JP Aurora that no you shouldn't be worried, the shareholder of Crashaw Investment is Westdawn Investments of which is a company which is well
10 known because I think it owned JSC Mining at the time, so I was comfortable that I will get my money.

ADV ZINHLE BUTHELEZI: Yes, and if you look at Exhibit W5A, Westdawn Investment was owned by Duduzane Zuma and Tony Rajesh Gupta at the time, in 2014?

MR MADODA JOHN JIYANE: That is correct.

CHAIRPERSON: You didn't say what page number?

ADV ZINHLE BUTHELEZI: Oh sorry, it's W5A at page 142.

CHAIRPERSON: Oh, I don't really need to look do I?

MR MADODA JOHN JIYANE: Okay.

ADV ZINHLE BUTHELEZI: Not really Chair.

20 **CHAIRPERSON:** Ja, okay.

MR MADODA JOHN JIYANE: That is correct, they were the ...

CHAIRPERSON: They were the shareholders?

ADV ZINHLE BUTHELEZI: They were the shareholders ja.

CHAIRPERSON: Okay.

ADV ZINHLE BUTHELEZI: Do you confirm that Mr Jiyane?

MR MADODA JOHN JIYANE: I confirm that.

ADV ZINHLE BUTHELEZI: And then you attest the agreement that you entered into with Crashaw is MJJ5?

MR MADODA JOHN JIYANE: That is correct, that's the Sale of Shares Agreement which also includes my employment contract which I had to sign in terms of the Sale of Shares Agreement.

ADV ZINHLE BUTHELEZI: Then did you have any dealings then with V R Laser South Africa after the sale of your shares?

MR MADODA JOHN JIYANE: I didn't at all, the last day I finished was the last day of
10 February and they did me a small for all my staff and that was the last time I saw V R Laser.

ADV ZINHLE BUTHELEZI: Yes.

MR MADODA JOHN JIYANE: Because I was also barred from talking to any staff for at least two years or doing any business related to what V R Laser was doing.

CHAIRPERSON: What was that all about, why was it necessary for you to be barred from talking to staff?

MR MADODA JOHN JIYANE: I don't know, maybe they thought I could probably start another company and then come and recruit the staff and probably compete with them.

CHAIRPERSON: Yes, okay.

20 **ADV ZINHLE BUTHELEZI:** Yes, you said you left at the end of February which year?

MR MADODA JOHN JIYANE: 2015.

ADV ZINHLE BUTHELEZI: Yes, then from February 2014 when you sold your shares and February 2015 what were you still doing at V R Laser?

MR MADODA JOHN JIYANE: I was still as a registered COO and a director of the company, they then started involving me a little bit in terms of asking me for my opinion,

which I did give because I was still passionate about the business and I was also very concerned about the staff, because it's important for the transition of the business from one shareholder to another that there is stability, so I really cooperated in terms of making sure that whatever the business requires I make sure that it's done and I was also concerned because there was no real CEO which was being handed down to the company to run the company. I raised that with JP Aurora and eventually I think the second half of the year they brought in a gentleman, Pieter van der Merwe, to become the CEO, so I then got comfortable that I can then take him around to go and meet the stakeholders of V R Laser, all the customers, all the suppliers and all the other stakeholders in terms of what we deal with in terms of the arms industry.

ADV ZINHLE BUTHELEZI: By saying they involved me a bit what exactly, how did they involve you?

MR MADODA JOHN JIYANE: They involved me the first I think roundabout April they invited me to go to China with them, to China South (indistinct) with my technical director.

ADV ZINHLE BUTHELEZI: What was the reason for that?

MR MADODA JOHN JIYANE: The reason was that we were just going to explore and see Chaneroll does and see whether V R Laser can be incorporated into that kind of manufacturing facility.

20 **ADV ZINHLE BUTHELEZI:** Okay are there any other international trips that you made?

MR MADODA JOHN JIYANE: Yes I made another trip but that was in terms of Denel inviting all their suppliers to Malaysia for another problem which V R Laser was involved with so I travelled also to that.

ADV ZINHLE BUTHELEZI: Yes, the China trip was in which year?

MR MADODA JOHN JIYANE: It was in 2014, roundabout April if I'm not mistaken.

ADV ZINHLE BUTHELEZI: April 2014?

MR MADODA JOHN JIYANE: Yes.

ADV ZINHLE BUTHELEZI: Yes and when last did – sorry, when did you resign as a director of V R Laser?

MR MADODA JOHN JIYANE: I resigned at the end of February 2015.

ADV ZINHLE BUTHELEZI: 2015?

MR MADODA JOHN JIYANE: That is correct, it is 12 months from the day I signed the agreement.

10 **ADV ZINHLE BUTHELEZI:** And how much loss did you incur by selling your shares?

MR MADODA JOHN JIYANE: Just from the face value from what they paid the other shareholders versus what they paid me the difference was close to R8million.

CHAIRPERSON: And did the difference in time between the sale of the other, the shares, your shares and the time when they bought the other shares was about how long?

MR MADODA JOHN JIYANE: It was just about a month, they closed the deal in December, I sold my shares in February.

CHAIRPERSON: Yes.

MR MADODA JOHN JIYANE: So it's about a month.

20 **CHAIRPERSON:** And there is nothing of any significance that had happened ... (intervention)

MR MADODA JOHN JIYANE: Nothing of any significance.

CHAIRPERSON: ...which could affect the value to these shares.

MR MADODA JOHN JIYANE: To affect the valuation yes.

CHAIRPERSON: Yes, and you have – did you know why they would have been

prepared to buy the other shares at a higher price than yours, or you don't know?

MR MADODA JOHN JIYANE: I just think that they were probably up to some other ways of maybe getting rid of me because they thought maybe because of the structure of the deal previously that they can force me out because they called for the shareholders loan which was always outstanding between the two entities, which was the old company, when I bought in, versus the new company, which was over R200million of which they thought that if they put that on my head then my shares will be worth nothing, but they forgot that during the negotiations which I had with the other shareholders that loan was also offered to me, so I had control of that loan, so that's
10 why then it was in writing and they actually went, they tried to threaten me that I can walk without anything then I revoked that and showed them that they cannot do that, otherwise I will reverse the whole deal.

CHAIRPERSON: Okay.

MR MADODA JOHN JIYANE: But I think the intentions were becoming very clear that actually I was not part of what they wanted, eventually.

CHAIRPERSON: Yes, yes.

ADV ZINHLE BUTHELEZI: Mr Jiyane will you please try and give names instead of using they or their.

MR MADODA JOHN JIYANE: Okay, when I say they I'm talking about the other two
20 shareholders or I would say actually Salim Essa because he was the shareholder of the V R Laser Services.

ADV ZINHLE BUTHELEZI: Thank you. Then from paragraph 60 then you deal briefly with your interactions with the Gupta family.

MR MADODA JOHN JIYANE: Correct.

ADV ZINHLE BUTHELEZI: During the 12 months in which you were at V R Laser.

MR MADODA JOHN JIYANE: Which I was at V R Laser Services, I said I met Ajay Gupta at one of the management meetings.

ADV ZINHLE BUTHELEZI: Yes.

MR MADODA JOHN JIYANE: It was the first time he addressed a meeting, it was the first time I saw also somebody from the Gupta family coming to address V R Laser management team.

ADV ZINHLE BUTHELEZI: Yes, before the sale of your shares at V R Laser did you know anything about the Gupta family?

MR MADODA JOHN JIYANE: I would have probably read through the newspapers
10 about some of – I think they had AN7 and I think there was that wedding which was creating a lot of interest from a news point of view, other than that I didn't know anything about them.

ADV ZINHLE BUTHELEZI: Did you know of any links that Mr Essa or Mr Sharma had with the Guptas?

MR MADODA JOHN JIYANE: I didn't not at all, if I knew that I would have probably had a different view altogether.

ADV ZINHLE BUTHELEZI: And why?

MR MADODA JOHN JIYANE: I would have then really had a different view in terms of if somebody is a proxy for somebody and he doesn't declare that when you have
20 negotiations then definitely the trust doesn't exist at all, because you're dealing with somebody who is already not sure whether he should be representing himself or not, and I would have had a problem. That's why I do say that if I had at least the opportunity to meet the Guptas and they said offer me the business then I would have had the chance to find out why they want the business.

ADV ZINHLE BUTHELEZI: Yes, and then who took over your position when you left V

R Laser?

MR MADODA JOHN JIYANE: It was taken over by Peter van der Merwe.

ADV ZINHLE BUTHELEZI: And who was Peter van der Merwe?

MR MADODA JOHN JIYANE: He was their attorney, he used to be the attorney from Van der Merwe & Associates, he became their CEO.

ADV ZINHLE BUTHELEZI: Their meaning who?

MR MADODA JOHN JIYANE: Meaning their – when I say their attorney, excuse me he was representing the other shareholders I would just combine it like that.

ADV ZINHLE BUTHELEZI: Essa ...(intervention)

10 **MR MADODA JOHN JIYANE:** Essa and Crashaw now because I would have sold my shares by then.

ADV ZINHLE BUTHELEZI: Okay then on page 20 of your statement you deal with the Hoefyster transaction which was awarded to V R Laser, can you give us some background?

MR MADODA JOHN JIYANE: Some background, okay. I don't want to bore the Commission but the Hoefyster Project is quite a very important project in the defence industry in South Africa. It's one of the replacement of an infantry fighting vehicle of which there has been a lot of discussions from a land mobility point of view that South African Defence Force requires that vehicle. So as part of building the capability and
20 capacity of V R Laser one of them was to position V R Laser to be able to supply as a key supplier to that contract. So the background to that I had already made a lot of marketing efforts to make sure that I raise the profile of V R Laser to all stakeholders to understand that there is this capability. I still remember when Denel was also providing some of the input for the decisions to be made they showed also the capability of V R Laser as part of being the capability residing in South Africa to be able to execute this

program, so I was also passionate about that program, that's why I worked so hard to make sure that V R Laser becomes part of it eventually and it gets awarded part of that contract to execute.

ADV ZINHLE BUTHELEZI: Yes and in paragraph 73 where you made a correction there is a contract that you were given in 2014, can you give us the background as to how this came about?

MR MADODA JOHN JIYANE: The background to that is as I've corrected on paragraph 73, I say subsequently V R Laser Services was shortlisted, there was a letter which came from Denel which is I think what you're referring to as MJJ9271/05.1.

10 **ADV ZINHLE BUTHELEZI:** Chairperson based on the correction that was made at paragraph 73 Mr Jiyane gave us some documents which I beg leave to hand up, we will insert those documents just behind Annexure MJJ5 to make the statement to flow and I have numbered ...(intervention)

CHAIRPERSON: But the documents are not referred to in the statement are they?

ADV ZINHLE BUTHELEZI: No they're not referred to.

CHAIRPERSON: You should know.

ADV ZINHLE BUTHELEZI: They are not referred to in the statement, but I would like the Chairperson to have these documents, I may add them to our reference ...(intervention)

20 **CHAIRPERSON:** Maybe what we can do is we can take them as separate exhibits and he talks to them, or he later on does a supplementary affidavit and refers to them but can testify about them now, so it can be one of the two.

ADV ZINHLE BUTHELEZI: I think we will ask him to do a supplementary affidavit and attest to that.

CHAIRPERSON: Okay, alright.

ADV ZINHLE BUTHELEZI: But for now I will beg leave to hand up these documents where Mr Jiyane speaks to that. He has a copy.

CHAIRPERSON: So we – you will ask him questions about them, he will testify about them but we want to make them separate exhibits, maybe a supplementary affidavit to which they will be attached.

ADV ZINHLE BUTHELEZI: Yes.

CHAIRPERSON: Okay.

ADV ZINHLE BUTHELEZI: Thank you. Mr Jiyane the document that I have handed p to the Chairperson what is this document?

10 **MR MADODA JOHN JIYANE:** This document basically explains the process which was followed to request V R Laser to put a proposal for the Hoefyster platform components.

ADV ZINHLE BUTHELEZI: Yes, the letter on page 1?

MR MADODA JOHN JIYANE: The letter on page 1 is dated the 6th of June.

CHAIRPERSON: I'm sorry which one? What I have here is first the letter, you marked it MJJ51 for what it's worth and then there is another letter after that and then there is – I don't whether that is a separate document or it's part of that letter, so is the sequence I have is my sequence correct, is it the same as yours?

ADV ZINHLE BUTHELEZI: Yes, it's the same as mine.

20 **CHAIRPERSON:** Alright, why don't we start with the letter then?

ADV ZINHLE BUTHELEZI: Yes, let's start with the letter that is ...(intervention)

CHAIRPERSON: It doesn't seem to have a date that letter?

ADV ZINHLE BUTHELEZI: There is a date ...

MR MADODA JOHN JIYANE: There's two letters Chair, ja I think.

CHAIRPERSON: Yes there is the top letter.

MR MADODA JOHN JIYANE: Yes.

CHAIRPERSON: Where do I see, where's the date for the letter?

MR MADODA JOHN JIYANE: It is on the top right hand side, on line probably 3.

ADV ZINHLE BUTHELEZI: It's line 4.

MR MADODA JOHN JIYANE: Line 4.

ADV ZINHLE BUTHELEZI: On the top right hand side corner, it's in very small init

CHAIRPERSON: At the address?

MR MADODA JOHN JIYANE: Yes.

ADV ZINHLE BUTHELEZI: Yes, there's a date of the 6th of June 2014.

10 **CHAIRPERSON:** What is the date?

ADV ZINHLE BUTHELEZI: 6th June 2014.

CHAIRPERSON: Oh yes it's very hidden, okay ja, so we can refer to that as the letter of the 6th of June.

ADV ZINHLE BUTHELEZI: Yes and that letter is signed by Mr Henk van der Heever.

CHAIRPERSON: Okay, why don't you first identify – oh the next one is also 6th of June.

ADV ZINHLE BUTHELEZI: Yes.

MR MADODA JOHN JIYANE: Correct.

CHAIRPERSON: But are they addressed to the same person? No?

20 **MR MADODA JOHN JIYANE:** Yes, correct.

CHAIRPERSON: They are both addressed to the same person.

MR MADODA JOHN JIYANE: That is correct.

ADV ZINHLE BUTHELEZI: Yes.

CHAIRPERSON: Okay the one is, the first one is one page, the second one is ... (intervention)

ADV ZINHLE BUTHELEZI: Is three pages.

CHAIRPERSON: Two is three pages, so that's how we will refer to them to make a distinction for the reader of the transcript. Okay, you want to ask questions about the one page letter dated 6th June.

ADV ZINHLE BUTHELEZI: Yes, the one page letter that is on the first page of this document what does it inform us?

MR MADODA JOHN JIYANE: It informs us that they request us to update a proposal which we submitted in April 2012 regarding the Hoefyster Platform components and they required us to make sure that we cover the following; the price of the armour steel
10 excluding mine protection, the price for mine protection only, and the prices should exclude any jigs and fixtures which will be free issued by Denel. Then the second letter ... (intervention)

ADV ZINHLE BUTHELEZI: Yes?

MR MADODA JOHN JIYANE: It requests for the Hoefyster Platform components, it gives a background of how they are going to evaluate the successful bidder, and it gives the quantities of the number of vehicles required and it goes through the whole process how we are going to be evaluated as suppliers in that letter. I just want to make that correction because on my statement I said it was a tender and it was not a tender, it was an invitation to offer a price.

20 **CHAIRPERSON:** Yes. Okay, I may have missed, are you making a correction on the one page letter?

MR MADODA JOHN JIYANE: No, I made correction on my statement Chair.

CHAIRPERSON: Yes, I remember that.

MR MADODA JOHN JIYANE: That was the reason why I made the correction because I was going to refer to these matters.

CHAIRPERSON: Oh okay, thank you.

ADV ZINHLE BUTHELEZI: Yes and you confirm that by making this offer Denel did not follow the prescribed tendering processes that ought to be followed?

MR MADODA JOHN JIYANE: I am not sure how they were going to do their process but I think as the process or the complexity of the acquisition I'm sure that they had to agree on some way how they're going to invite certain companies which probably qualify to manufacture this.

ADV ZINHLE BUTHELEZI: Yes, and this letter came from the division of Denel, from Denel Land System?

10 **MR MADODA JOHN JIYANE:** It came from Denel Land System, which is the division which is in charge of the Hoefyster Project.

ADV ZINHLE BUTHELEZI: Yes, do you know who was in charge of the procurement in this division?

MR MADODA JOHN JIYANE: Henk van der Heever was the procurement officer and at that time I think it was Celia Malapela was the executive in charge of procurement.

ADV ZINHLE BUTHELEZI: And who was heading this division?

MR MADODA JOHN JIYANE: It was Stephan Burger who was the CEO.

ADV ZINHLE BUTHELEZI: Thank you. Then on paragraph 77 you deal with your resignation, yourself and your wife and you attached two annexures, MJJ6 and MJJ7.

20 **MR MADODA JOHN JIYANE:** That is correct, that is my official resignation and my wife as directors of V R Laser.

ADV ZINHLE BUTHELEZI: After this did you have any dealings with V R Laser?

MR MADODA JOHN JIYANE: No dealings at all with V R Laser.

ADV ZINHLE BUTHELEZI: Do you know anything about V R Laser, Denel Asia transaction?

MR MADODA JOHN JIYANE: I do not know anything about Denel Asia, Denel Land System Asia or V R Laser Asia because I was not part of that, it was after I have left.

ADV ZINHLE BUTHELEZI: Thank you Mr Jiyane I have nothing further.

MR MADODA JOHN JIYANE: Thank you so much.

ADV ZINHLE BUTHELEZI: Sorry Chair, there is just question that came to me, can I just ask one more question to Mr Jiyane. This offer that we just spoke about in paragraph 73 do you know if it was made to other service providers or tenderers?

MR MADODA JOHN JIYANE: I think it was because at one of the technical meetings I attended together with my engineers there were other role players who were our
10 competitors.

ADV ZINHLE BUTHELEZI: And the offer itself do you know if it was made to other people, other than V R Laser?

MR MADODA JOHN JIYANE: I assume that because they were invited to these meetings that they would have also been submitted their offer.

ADV ZINHLE BUTHELEZI: But you have no personal knowledge?

MR MADODA JOHN JIYANE: I don't have any personal knowledge.

ADV ZINHLE BUTHELEZI: Thank you Mr Jiyane. That is all Chair.

CHAIRPERSON: Thank you. Thank you very much Mr Jiyane for coming to give your evidence, we appreciate it. If there is a need to call you to come back you will be
20 contacted but thank you very much. I think the legal team will arrange with you for a supplementary affidavit to be done, but thank you very much, and you are excused.

MR MADODA JOHN JIYANE: Thank you Chair.

CHAIRPERSON: Thank you.

ADV ZINHLE BUTHELEZI: Thank you Chairman, that's the evidence that's to be led today, we will start again as you have indicated at half past nine tomorrow morning with

the evidence of Mr Saluji.

CHAIRPERSON: Yes, had we known we would have made sure that that witness was here today so we could have used another hour.

ADV ZINHLE BUTHELEZI: Indeed so Chair, but believe me we have quite a bit of work on our plates.

CHAIRPERSON: I am sure you do.

ADV ZINHLE BUTHELEZI: And we appreciate going back to the office to do that work.

CHAIRPERSON: Yes, I am sure you do. How many witnesses have we got tomorrow?

ADV ZINHLE BUTHELEZI: Just one, I think it will be all day, he is quite – there is a lot
10 that he has to tell the Commission.

CHAIRPERSON: Yes, but do we need to start at half past nine or should we amend that and start at ten?

ADV ZINHLE BUTHELEZI: It would be more convenient Chairman to start at ten, if that's ...

CHAIRPERSON: Ja, well as long as we will finish, we don't want to start early and we then finish early, we will rather start early if we are going to be able to use the full, the whole day but it's sometimes difficult to say so what's your judgment?

MS ZINHLE BUTHELEZI: Chairman so that I don't incur your wrath let's start at half past nine.

20 **CHAIRPERSON**: Okay, alright, we will adjourn then and start at half past nine tomorrow. We adjourn.

MZ ZINHLE BUTHELEZI: Thank you Chair.

INQUIRY ADJOURNS TO 20 MARCH 2019