COMMISSION OF INQUIRY OF THE PUBLIC INVESTMENT CORPORATION

HELD AT

TSHWANE, PRETORIA

14 MAY 2019

DAY 35

PROCEEDINGS HELD ON 14 MAY 2019

CHAIRPERSON: Good morning, everybody. And yes, Mr Lubbe.

ADV JANNIE LUBBE SC: Good morning, Mr Commissioner and members of the Commission. We are ready to proceed. Our next witness is Mr Abdul-Malick Salie. He is ready to take the prescribed oath, Mr Commissioner. Just stand up and put on the mic.

CHAIRPERSON: Good morning, Mr Salie.

MR ABDUL-MALICK SALIE: Good morning, Commissioner.

CHAIRPERSON: Do you have any objection in taking the prescribed oath or affirmation?

MR ABDUL-MALICK SALIE: No.

CHAIRPERSON: Do you swear the evidence you are about to give, will be the truth, the whole truth, nothing but the truth? Raise your right hand and say, so help me God.

MR ABDUL-MALICK SALIE: I do. So help me God.

ABDUL-MALICK SALIE: (d.s.s.)

CHAIRPERSON: Thank you very much, sir. You may be seated.

ADV JANNIE LUBBE SC: Thank you. Mr Salie, can you just have the microphone right in front of you and will you just please speak up?

CHAIRPERSON: I just... Sorry, sorry. I see somebody next to him. Is that his lawyer?

ADV JANNIE LUBBE SC: Oh, I apologise. It is my friend and colleague, Mr Riley. He can just introduce himself. Thank you, Mr Chair.

MR JOHN RILEY: Thank you, Chair. John Riley. I representing Mr Salie in this – in the Commission.

ADV JANNIE LUBBE SC: My apologise, Mr Riley. Thank you, Mr Commissioner. Mr Salie, before we start. Is it correct that when Dr Survé testified before the Commission, you were present?

MR ABDUL-MALICK SALIE: Yes, Advocate Lubbe.

ADV JANNIE LUBBE SC: Is it also correct that when Nahied Gamaldien testified, you were here?

MR ABDUL-MALICK SALIE: Yes, I was.

ADV JANNIE LUBBE SC: You have prepared a statement for the Commission?

MR ABDUL-MALICK SALIE: Yes, I have.

ADV JANNIE LUBBE SC: Will you please start with the statement and tell the Commission, who you are, where you are from, your qualifications, etcetera.

MR ABDUL-MALICK SALIE: Okay.

> "I, the undersigned, Abdul-Malick Salie, hereby state as follows ...[intervenes]

ADV JANNIE LUBBE SC: No, I will have to ask you to speak up a bit, please.

MR ABDUL-MALICK SALIE: Okay.

> "I obtained my B.Com from the University of the Western Cape in 2001 and my B.Com Honours at the University of Kwazulu Natal in 2003 and qualified as a chartered accountant in 2007.
>
> After qualifying as a CA, I was employed with the Auditor General at Bellville in their

Performance Audit and International Audit Divisions, and thereafter, held positions at Pioneer Foods and Vodacom.

In and during 2007, I had my first interaction with the Sekunjalo Group of Companies, when I was recruited by Khalid Abdulla to take up the position of joint Financial Manager with Nahied Gamaldien.

In the time that I was employed by Sekunjalo, I reported directly to Abdulla…"

ADV JANNIE LUBBE SC: Can you just for the record tell the Commission. Is the position of Abdulla in the Sekunjalo Group?

MR ABDUL-MALICK SALIE: At that time, Abdulla was the Financial Director of the group. Currently he is the group's CEO.

ADV JANNIE LUBBE SC: Thank you.

MR ABDUL-MALICK SALIE:

"I left Sekunjalo in 2009, and I was thereafter employed with Media24 until 2014, when I had contact with Abdulla, who had advised me he is now the CEO of African Equity Empowerment Investments, AEEI.

He then offered me the post as Head of Corporate Finance, which I accepted. I again reported directly to Abdulla.

I served on the board of AEEI from February 2018 to January 2019. I resigned

> from the AEEI Board when I took up the position of Chief Investment Officer, CIO of the AYO Technologies Group in January 2019.
>
> On 6 May 2019, I resigned from the Board of AYO but I continued to do the work of Chief Investment Officer as part of the Management Team…"

MS GILL MARCUS: Mr Salie, can you tell us why you resigned from the Board of AYO?

MR ABDUL-MALICK SALIE: Commissioner, I think it is to do with the, obviously, the pressures, the media, the governance issues that have arose, and ja, I was not comfortable within the current environment and the pressures everything. Internally and externally. And therefore, I made the decision to resign from the board.

> "I have been subpoenaed to appear before the Commission of Inquiry into allegations of impropriety regarding the Public Investment Corporation and to make available all documents and records, relating to the investment by the PIC, known as AYO Technologies and to produce the following documents:
>
> - All financial records in respect of the above matters, in particularly payments made to third parties from funds invested by the PIC;

- And all correspondence inter alia emails, facsimiles, all memorandums between myself and other parties involved, including the PIC regarding the valuation of the shares and payments made after the listing of AYO and the JSE;
- Any correspondence between legal representatives, sponsors of AYO and management, regarding the listing of AYO.

I must immediately point out that although I have been requested to produce the above documents, that the documents and information referred to are in the possession of AYO.

I will, however, make available and provide such information as is in my possession, and will testify about such matters that fall within my personal knowledge.

When I joined AEEI in the latter part of 2014, the AEEI Board had developed a strategic plan, known as Vision 20/20.

The primary objective of the strategic plan was to double AEEI's profit and to take the assets and in all assets/investments based to more than a R1 billion.

I understand that this would be achieved by listing two of its primary assets, being Fishing and Information Technology.

The strategic plan ...[intervenes]

MR EMANNUEL LEDIGA: Sorry, Mr Salie. Just a question here. On paragraph 9. What was the asset value then? You know, and what is it currently now? Whether the market cap/net asset value.

MR ABDUL-MALICK SALIE: So, the market cap at that time was around R330 million which ...[intervenes]

MR EMANNUEL LEDIGA: Get closer to the mic, because I cannot ...[intervenes]

MR ABDUL-MALICK SALIE: The market cap at that time, Commissioner, was roundabout R330 million, and I am speaking under correction. It is just from memory. The nav was pretty close to that and about R300 million.

It then subsequently, over the next five years, pretty much organically went up to a peak of just over R3 billion, and the nav with the underlining assets and investments being valued, was close to being the same, until and before AYO was invested – listed.

MR EMANNUEL LEDIGA: Just the bump from – sort of – this is like more than ten times at the peak, you know. Of, you know, R300 million to R3 billion. What was the contribution there? The contributed to that rise in the market cap?

MR ABDUL-MALICK SALIE: So, the market cap, I cannot answer for that. That was the trading – the market trading that happened, but from a nav perspective – what I can remember is there was strategic investments made in SAAB, GreenTech Defence, at the time.

There was organic growth within the Fishing Business. Also acquisitions and the listing of that Fishing Business, and there were, I think there was growth – a lot in the Pioneer Food's shares that were available at the time.

It was bought at about R80 million and it went up to about R300 million. So, that was part of the kicker as well. So, there was various assets that had grown over time and certain investments. This is all pre-AYO.

MR EMANNUEL LEDIGA: Okay, so it... Ja, all right. Okay, thank you. Thanks. And sorry. Just another thing. What is the market cap currently?

MR ABDUL-MALICK SALIE: I think the market cap in the last week has come back down to about R1,2 billion. The share value is about R2,55.

MR EMANNUEL LEDIGA: Ja, all right. So, R1,2 billion. All right. That is AEEI?

MR ABDUL-MALICK SALIE: AEEI.

MR EMANNUEL LEDIGA: Yes, that is the market cap of AEEI. Thank you. And just another question. I am just going to ask you, especially when we talk about the valuation, to keep referring to the annexure, somehow. You know, to take us through some of the issues.

MR ABDUL-MALICK SALIE: That is perfectly fine.

MR EMANNUEL LEDIGA: All right. Thank you.

MR ABDUL-MALICK SALIE: Yes.

> "When I joined AEEI in the latter of 2014, the AEEI Board had developed a strategic plan..."

Okay, I was there already. Let me just go...

> "The strategic plan was spearheaded by Abdulla, who during investor presentation, done by him on a regular basis, indicated that once the Fishing or Information Businesses achieved turnovers of at least R500 million, the aim was to list on the Johannesburg Stock Exchange.
>
> In and during 2015, Abdulla informed the Premier Fishing and AEEI Teams that we should prepare to list in quarter one of 2017.
>
> The external advisor should be informed about this and the Project Team should be established.
>
> It is fair to say that at the time, the teams had little knowledge of listing on the JSE and the teams would rely substantially on the advise and guidance, provided by external advisors, to drive the process..."

MS GILL MARCUS: The external advisors in that circumstance were...?

MR ABDUL-MALICK SALIE: From a sponsor broker. That was PSG Capital. The legal team was Cliffe Dekker Hofmeyr and Dawson, Edwards and Associates, and the corporate finance and presentations were done internally by AEEI.

MR ABDUL-MALICK SALIE: Okay.

> "At the time, the rational was that since the

Fishing Industry would have to apply for fishing quotas in 2020, and because the Department of Fisheries and Forestry was extremely focussed on empowerment and community participation, that Premier Fishing as 80% black owned entity would ideally positioned for acquisitions.

In addition, Premier Fishing had the ability to expand its non-quota based Avalon Farm which it had and operating for more than 15-years and which delivered strong cash profits annually.

During this process, Abdulla informed the team and his advisors, that the PIC was interested in engaging and understanding the listing, and that we should present to them and others during the Invested Roadshows.

The PIC and other asset managers undertook a rigorous due diligence process in AEEI and AYO Teams embarked on Invested Roadshows, after the PIC and others committed to invest…"

MS GILL MARCUS: Sorry. Can you elaborate on others? Who the other asset managers were and others committed to investing?

MR ABDUL-MALICK SALIE: So, PSG Capital did the introductions to Stanlib, ACANTIS Asset Management. There was Nedbank and their private wealth individuals and quite a few more. I think Investec also had an allocation. So, there was quite a broad based introduced to us by PSG Capital.

MS GILL MARCUS: That is your other asset managers. Is that different from others who committed to invest?

MR ABDUL-MALICK SALIE: So, it was basically the PIC and those asset managers. It was not really anyone else.

MR EMANNUEL LEDIGA: What date was this done?

MR ABDUL-MALICK SALIE: It was the 2nd March 2017, was the listing of Premier. The 2nd or 3rd March.

MR EMANNUEL LEDIGA: No, the roadshows. In terms of the roadshow, when was it?

MR ABDUL-MALICK SALIE: Okay, the roadshows actually took place roundabout January of that year, and some of the due diligence drives out to the farms and factory were done in December, the year before.

MR EMANNUEL LEDIGA: All right. So, January 2017?

MR ABDUL-MALICK SALIE: Ja.

MR EMANNUEL LEDIGA: All right.

MR ABDUL-MALICK SALIE: Okay.

> "It is necessary to point out that at the time, AEEI owned 100% of Premier Fishing.
>
> Premier Fishing managed to raise approximately R500 million, with AEEI diluting its shareholding in Premier Fishing down to 55%.
>
> The PIC subscribed for 20% and the balance

> was taken by a widespread of other entities and institutions.
>
> The JSE listing of Premier Fishing took place in March 2017…"

MS GILL MARCUS: What was the price? What was the share price?

MR ABDUL-MALICK SALIE: The share price was R4,50 and the total market cap at R4,50 was R1.2 billion.

MS GILL MARCUS: And did everybody pay the same price?

MR ABDUL-MALICK SALIE: Everyone paid the same price for those shares.

MR EMANNUEL LEDIGA: Ja, another question is that then… What was the P/E or the forward P/E for the Premier Fishing listing?

MR ABDUL-MALICK SALIE: That P/E was roundabout the 12 mark, if memory serves correct.

MR EMANNUEL LEDIGA: Ja, was it 12 forward or 12… You know, historical?

MR ABDUL-MALICK SALIE: It was a one year forward P/E.

MR EMANNUEL LEDIGA: One year forward, 12 P/E. All right. And did it have the normal spread or a good spread of asset managers? Just give me some sense…

MR ABDUL-MALICK SALIE: So, the free float was challenging, as it was in AYO, because the balance had to be struck between maintaining your empowerment ownership credentials, which was difficult if the open market holds the shares in trade, but the 45%, I think, ended up with close to 30 - 35% free float open market float.

MR EMANNUEL LEDIGA: Okay, but in terms of the big shareholders, who would have been…? I know the PIC, you say took 20%.

MR ABDUL-MALICK SALIE: PIC 20%.

MR EMANNUEL LEDIGA: Ja?

MR ABDUL-MALICK SALIE: Stanlib was a big one, but that was for, I think, the private wealth clients, as well as Nedbank.

MR EMANNUEL LEDIGA: Okay. All right. Okay, thank you.

MR ABDUL-MALICK SALIE: Yes.

> "Build up to the AYO Listing Process:
>
> During May 2017, Abdulla told me that I should consider starting high level preparation for the AYO listing.
>
> He told me that our role would be different from that played in the listing of Premier Fishing, as the AYO listing would be led by the industry experts from British Telecoms and externally.
>
> He explained that he and Dr Iqbal Survé were on the BT Board and that they, together with BT's CEO had identified significant opportunity to leverage off an innovative empowerment model…"

ADV JANNIE LUBBE SC: I am sorry to interrupt you there. For the record, can you state who was the CEO of BT at the time?

MR ABDUL-MALICK SALIE: Mr Kevin Hardy.

ADV JANNIE LUBBE SC: I think you make a mistake.

MR ABDUL-MALICK SALIE: No, no. It was.

ADV JANNIE LUBBE SC: It was Hardy at that time? It was not...? I was thinking...

MR ABDUL-MALICK SALIE: No, no.

ADV JANNIE LUBBE SC: It was not Oliver Fortuin?

MR ABDUL-MALICK SALIE: No.

ADV JANNIE LUBBE SC: Thank you. It is my mistake. Sorry.

MR ABDUL-MALICK SALIE: Okay.

> "I was also told that the senior industry leaders were interested in heading up AYO.
>
> Abdulla mentioned that the previous CEO, Oliver Fortuin was interested and that Fortuin had engaged the potential CFO and other executives.
>
> Abdulla also mentioned Arthur Mutambara, the CEO of Africa Technology and Business Institute, who he stated would assume an executive role.
>
> I was impressed and believed that the considering the individuals referred to, that this would add significant credibility to the AYO listing.
>
> Later on ...[intervenes]

MR EMANNUEL LEDIGA: Ja, sorry. Question. Let us go back to 15, paragraph... You know, Premier Fishing listing. The people who work on the AYO listing, are they the same people who worked on the Premier Fishing, because it seems to have gone pretty well and pretty smoothly, versus the AYO listing which did not. So, I just wanted to know. Is it the same teams and all of that?

MR ABDUL-MALICK SALIE: Same teams, except for obviously the executive management of Premier versus the executive management of AYO, but it is pretty much the same teams and the legal advisors were different.

Webber Wentzel assisted on AYO, where – and TGR – whereas with Premier Fishing we had Dawson Edwards and we had Cliffe Dekker.

MR EMANNUEL LEDIGA: Ja, and the – that listing, did it have a lot of companies to acquire in the future? Meaning that, its value. Was it based on future acquisitions or it was mainly organic growth, the Premier Fishing listing?

MR ABDUL-MALICK SALIE: So, it had two primary drivers. The one was acquiring businesses that needed empowerment, but a big component of it was to get into a space with a non-quota driven business was a bigger part of the business.

So, your agriculture was non-quota driven. So a lot of the capital was earmarked to build out and to triple the size of the farm.

MR EMANNUEL LEDIGA: So, there were some companies to acquire but probably small, small companies?

MR ABDUL-MALICK SALIE: So, the one that was quite sizable, that came about six months to nine months later was Talhado Fishing, and that made Premier the largest squid operator in the country.

MR EMANNUEL LEDIGA: But can one say that the bulk of the future growth was based on the current business versus AYO where the bulk was not on future business? Can one say that?

MR ABDUL-MALICK SALIE: I think you would have to say that it is a split between organic growth and predominantly the farm growth, but there was a view of acquiring as well.

MR EMANNUEL LEDIGA: But Premier Fishing growth was more organic than acquiring companies. Would you say that?

MR ABDUL-MALICK SALIE: From a percentage split, that is about 50/50.

MR EMANNUEL LEDIGA: A 50/50 split.

MR ABDUL-MALICK SALIE: Ja.

MR EMANNUEL LEDIGA: And then the AYO split? Can you remember that?

MR ABDUL-MALICK SALIE: So, the AYO valuation model when we get to it later was – and the forecast which drove the valuation was – did not include any acquisitions at that point, and I will explain the reason for that when we get there, as none of the term sheets had been signed off at that time.

The AYO valuation was driven from acquiring large multinationals who required empowerment and predominantly through our partnership with BT.

MR EMANNUEL LEDIGA: Okay. All right. We will get there then. Ja. Thank you.

MR ABDUL-MALICK SALIE: Okay.

> "Later on in the process, I would understand the innovative model referred to by Abdulla was an empowerment model developed to

respond to a bid to provide ITC services to Sasol.

Sasol had indicated to its service providers that it needed to increase its empowerment credentials and would be requesting action plans from the service providers on how they could support this objective.

The model would see AYO act as the primary service provider to Sasol with certain services being subcontracted to BT.

As AYO was an existing ICT business and was black owned, Sasol would increase its empowerment score by buying through AYO, yet still have the operational continuity as BT would be a subcontractor to AYO.

The idea was that AYO would act as a sales prime…"

ADV JANNIE LUBBE SC: Can you please explain that term to the Commission, sales prime?

MR ABDUL-MALICK SALIE: So, we learned of this term, obviously, from the BT Teams when we started the engagements. So, from an IT Industry perspective, you would find certain companies because of either their sales expertise or their empowerment credentials.

As one example would be, the front, for a lack of a better word, to sell to a customer, and then they would subcontract to the guys who would actually have the capabilities of performing those services.

And one of the key components of making this model work, was a legal opinion provided to ensure that AYO was not seen as fronting in terms of the BEE Act.

"During the period May ...[intervenes]

MR EMANNUEL LEDIGA: Just a question there. So, in terms of this sales prime model, would the bulk of the revenue go to the subcontractor, AEEI BT or would it go to the BEE company? Do you know the ratios there?

MR ABDUL-MALICK SALIE: So, I cannot top off my head recall exactly what the ratio were, but there was a 35% margin modelled into it, where BT would charge a certain cost and then over and above that, there will be a percentage margin on top of that for AYO.

MR EMANNUEL LEDIGA: And would the BEE company do some work or they would just win the contract and pass on the work to BT? How ...[intervenes]

MR ABDUL-MALICK SALIE: So, as part, Mr Commissioner, the model and part of the legal opinion that we received, AYO would have to do a lot of the services itself and then the ones where BT with the experts in the area, they would then take on those products and services as subcontractors.

So, one of the main criteria required not to be seen as a front is that the black business or the sales prime would have to had some sort of history in the ITC environment or space and AYO had about a 20-year history with its older subsidiaries.

MR EMANNUEL LEDIGA: Okay. All right. Thank you.

MR ABDUL-MALICK SALIE: Yes.

> "During the period May 2017, through to the AYO listing in December 2017, a host of individuals played various roles in building key elements that eventually resulted in AYO prelisting statement.
>
> These roles and key elements thereof, being the listing structure, storyboard, value proposition and ultimately the proposed valuation is set out hereinafter.
>
> During the listing period, the team had various interactions and meetings with Dr Survé, who set the tone for the PLS and providers' expectations of the value of AYO…"

MS GILL MARCUS: Sorry. Can I just ask you, Advocate Lubbe, do you have Dr Survé's statement when he was appearing before the Commission?

ADV JANNIE LUBBE SC: Yes.

MS GILL MARCUS: Can you read it into the record?

ADV JANNIE LUBBE SC: We will do that. I am going to go there now.

MS GILL MARCUS: Okay.

ADV JANNIE LUBBE SC: Ja.

MR ABDUL-MALICK SALIE:

> "In preparation for the first meeting …[intervenes]

ADV JANNIE LUBBE SC: Sorry. Before you go there. Just for the record and the Commission. You talk about team. I believe there were three teams. A BT Team, AEEI Team and an AYO Team.

MR ABDUL-MALICK SALIE: Yes.

ADV JANNIE LUBBE SC: Can you just place on record, who were the team members of each team?

MR ABDUL-MALICK SALIE: Okay. So, for the purposes of the prelisting statement, the BT Team was predominantly three individuals: Kevin Hardy, Tiaan Olwagen and to a lesser extent, Bennie North.

Then the AEEI Team would be myself, Nolvuyo Dube and Njabulo Jiki. Ja, that is the three people. And then from an AYO perspective, it would be Nahied Gamaldien and Mr Chwayita Peter.

There are other individuals that would play a lesser role in the prelisting statement as well.

CHAIRPERSON: Sorry. Can you give the names of the AYO Team again?

MR ABDUL-MALICK SALIE: The AYO Team was Nahied Gamaldien, the CFO at the time and Chwayita Peter who then came on much later in the process as the new group FM.

ADV JANNIE LUBBE SC: Now you were present here when Dr Survé testified?

MR ABDUL-MALICK SALIE: Yes.

ADV JANNIE LUBBE SC: And you will, hopefully, recall when he was questioned by the Commission about his involvement. He turned around and looked at the back where you and other people from his group was seated, and he said that he was not involved. The

Commission can ask these very qualified - highly qualified people about the process.

MR ABDUL-MALICK SALIE: Yes.

ADV JANNIE LUBBE SC: Is that correct?

MR ABDUL-MALICK SALIE: That is correct.

ADV JANNIE LUBBE SC: And I read from his statement under oath:

> "I am not involved in that at all, but I can certainly get the response to you from the AEEI Corporate Finance Teams and AYO Teams. I am happy to get that to Advocate Lubbe..."

Do you recall that?

MR ABDUL-MALICK SALIE: I do.

MS GILL MARCUS: So, in essence, you stand by what you are saying here that he was involved as reflected in your statement throughout, but in particular, that his expectations of the valuations and ...[indistinct] [noise interference]

MR ABDUL-MALICK SALIE: In the build up to the prelisting, yes.

MS GILL MARCUS: Yes. Thank you.

ADV JANNIE LUBBE SC: In fact, we will deal in detail with that and just to sum it up. As I have gone through your statements and the annexures attached thereto, he was involved from the start. Is that correct?

MR ABDUL-MALICK SALIE: Yes.

MS GILL MARCUS: Please continue.

MR ABDUL-MALICK SALIE:

"In preparation for the first meeting with Dr Survé, the Rodantia Nock, part of the Legal Team at Sekunjalo and Gamieldien worked on a PLS framework, the first of which I received on the 19th June 2017.

The PLS framework is based on a president provided to them by Abdulla on the 5th June 2017.

On 4th July, I took all the available data from BT, AYO and AEEI Teams and incorporated it into a prelisting framework, prepared by Gamaldien and Nock.

My initial valuation was based on projected profits for the existing business, and the projected profits for 2019, which was sourced from audited valuation models performed by AEEI's Accounting Team, annually

The valuation included 30% of BT's earnings which would move over to AYO as part of the listing process.

These aggregated profits were then multiplied by a price earnings P/E multiple for similar listed companies at the time.

I arrived at a valuation of R2,3 billion. Sometime during the week, leading up to the 10th, myself, Abdulla and Gamaldien met with

> Hardy and Olwagen for the first time, in person to work on the PLS.
>
> This document is emailed to Dr Survé on the 10th July 2017. I attached in this regard Annexure AS1..."

MR EMANNUEL LEDIGA: Okay, let us just get there a bit and just to understand how you arrived at that, briefly. If you can just summarise it because I see AS1 – AS2, I think. AS2, ja.

MR ABDUL-MALICK SALIE: AS1.

MR EMANNUEL LEDIGA: That you got 2.3, in the last column on profitability. It on a 15 P/E. Ja?

MR ABDUL-MALICK SALIE: Yes.

MR EMANNUEL LEDIGA: So, if you could take me through briefly this valuation.

MR ABDUL-MALICK SALIE: Okay. So, what we effectively did was take audited discounted cash flow valuations from our Finance Team that report annually and in there, they had forecast five to six years forward in each one of the investments, and we were in 2017, and we looked two years forward to 2019's profitability.

MR EMANNUEL LEDIGA: Yes, yes.

MR ABDUL-MALICK SALIE: So, the 2019 profitability, as indicated, in each one of those valuations, are stacked up in the righthand column, which is profitability 2019.

And then a portion of what was believed to be the associated income of British Telecoms, 30% was also included. The aggregated profitability was then R157 million and we then took comparable ITC businesses of scale that were listed in the Johannesburg Stock Exchange, and we came up with an average P/E and effectively used a P/E of 15 against those profits and arrived at a R2,3 billion valuation.

MR EMMANUEL LEDIGA: The 6.14, what is that? 6.14 just above the 15 PE there.

MR ABDUL MALICK-SALIE: Okay, that was the PE if you look at the weighting of doing the same exercise but on the discounted cash flow assuming that you'd use a PE of a Pty, so a non-listed entity.

MR EMMANUEL LEDIGA: Yes, yes, and the value would then be R1.3 billion.

MR ABDUL MALICK-SALIE: Yes.

MR EMMANUEL LEDIGA: Okay, so if you use - that is, the value is from 1.3 to 2.3?

MR ABDUL MALICK-SALIE: Yes.

MR EMMANUEL LEDIGA: Roughly, roughly. And then BT valuation was how much there on the...?

MR ABDUL MALICK-SALIE: That was 650 million on the discounted cash flow basis.

MR EMMANUEL LEDIGA: Ja, it was not yet R1 billion.

MR ABDUL MALICK-SALIE: No.

MR EMMANUEL LEDIGA: Okay, alright, thanks. And then 15 PE is just the – below the average of the other companies which you did there.

MR ABDUL MALICK-SALIE: Yes.

MR EMMANUEL LEDIGA: Ja, ja. Okay. Alright, thank you. So for the first part of the valuation were on 2.3.

MR ABDUL MALICK-SALIE: Yes.

MR EMMANUEL LEDIGA: Roughly, roughly. Okay, thank you.

MR ABDUL MALICK-SALIE: Okay.

"After this email is addressed to Dr Survè Abdullah requested that I update the valuation numbers using information received from BT to determine what level the valuation could reach with this data included. On the 17 July Hardy emailed a document to Abdullah and Dr Survè titled Project Zebra. A copy of this document is attached marked AS2. This document together with the proposed alliance agreement between BT and Ayo and the empowerment credentials of Ayo would ultimately form the basis of the valuation of Ayo is arrived at. As will be noted project Zebra identified clients and customers to be transferred from BT to Ayo and is used as the base of Ayo's profitability and the valuation in the prelisting statement. At the time I understood that this was a confidential document used to pitch the Ayo model to BT international for approval. Abdullah forwarded this document to myself and Gamaldien. Over the next few days Hardy and team provided further information and most notably the list of companies to be targeted for acquisition and which would be incorporated in the PLS. The companies targeted included I1 motivity wave, M2D, Echo SD, silicon sky, 365 Afrihost fibre co and BT's network assets.

MR EMMANUEL LEDIGA: Just to stop you there. So AS2, the annexures, what does it talk about because it's just an email. Just explain what is it about.

MR ABDUL MALICK-SALIE: Okay, so the document after the email is effectively a project document.

MR EMMANUEL LEDIGA: Oh, I see, okay, is this main, alright.

MR ABDUL MALICK-SALIE: Ja, that's the main one.

MR EMMANUEL LEDIGA: I get it, okay. Alright, no, no, it's fine, it's fine. Then the next question is this, is that in terms of the information supplied by BT, I mean, how were you going to use it in the PLS – I nearly said PSL – in the PLS if it was confidential?

MR ABDUL MALICK-SALIE: Mr Commissioner, at the time we were working simultaneously with the BT teams on this SASOL bid, so I think the Zebra probably links back to the SASOL bid and we were given this information from the CEO of BT at the time. So the teams of AI and Ayo obviously accepted the fact that the information's coming from the CEO and the team directly himself and therefore he's usable within the valuation.

MR EMMANUEL LEDIGA: Yes, alright. Okay.

MR ABDUL MALICK-SALIE: "After this additional information is

> incorporated in the Ayo valuation model Ayo value increased to 5 billion. On the 19 July Dr Survè requested ...[intervenes]

MR EMMANUEL LEDIGA: Sorry, just to come back. Project Zebra.

MR ABDUL MALICK-SALIE: Ja.

MR EMMANUEL LEDIGA: What was it about? Is that market sounding or it was just a strategic document?

MR ABDUL MALICK-SALIE: So it was a strategic document which showed why BT needed to improve its empowerment credentials to either take up more of customers like SASOL's budget or share or to increase its market share in general. So it basically said BT was at a level 4 but it only had a 30% empowerment shareholding.

MR EMMANUEL LEDIGA: Yes.

MR ABDUL MALICK-SALIE: The ICT codes at that time, as I'm told, changed where the ownership credentials became critical and the view was that as an ICT business you needed 51% black ownership and more than 30% female ownership so project Zebra explained and described the scenario to BT and all its approval structures internationally. So it was basically the basis to answering SASOL's RFP and getting approval for this model with Ayo.

MR EMMANUEL LEDIGA: Let's go back to paragraph 22.

MR ABDUL MALICK-SALIE: Okay.

MR EMMANUEL LEDIGA: We were at 2.3, you know, in the past now were on 5 billion. If you could take me through the difference, how did that come about. I didn't see the spreadsheet versus the first one there.

MR ABDUL MALICK-SALIE: Ja.

MR EMMANUEL LEDIGA: Ja.

MR ABDUL MALICK-SALIE: Again I can provide that spreadsheet to Adv Lubbe at a later point but to my mind and memory it was predominantly the revenues brought on from BT's existing customers and it would be transferred over to Ayo and then there was a different element which says Ayo possibly would gain more of those particular customers' budgets because it had BEE credentials so we called that section BEE upside. So it was the transfer of the revenues from those customers plus some BEE upside and that revenues and profits filtered through to the bottom line at the same multiple of about 15 then gave us a 5 billion valuation.

MR EMMANUEL LEDIGA: And when you say therefore of the customers, how would that happen? How would it happen, would it be meaning you are pitching again to BT? How would that transfer ...[intervenes]

MR ABDUL MALICK-SALIE: So as we understood it at the time it was pretty much the proof of concept at the time and why it made sense to us was that that is how SASOL was happening. So SASOL had, I believe, seven service providers, it narrowed down those service providers to about 3 or 4 and the big driver behind their process was getting an empowered ICT partner. So BT would gain upside by handing over some of its customers to Ayo, as I understand, and the transfer would take over the next two to three years. So percentage of the contracts would move over to Ayo, Ayo would act as the sales prime and it would through an alliance agreement subcontract work to BT.

MR EMMANUEL LEDIGA: And the profits from that sort of transfer would have been what, sort of 180 million times the 15 PE?

MR ABDUL MALICK-SALIE: In this instance, yes, as our first drafts because we only used selected customers and not the full drop-down.

MR EMMANUEL LEDIGA: Yes and what were the additional profits coming from there because you multiply them by the 15PE which you used to get to 5 billion.

MR ABDUL MALICK-SALIE: I think probably ...[intervenes]

MR EMMANUEL LEDIGA: 170, maybe, times 50?

MR ABDUL MALICK-SALIE: About 200 million.

MR EMMANUEL LEDIGA: 200 million.

MR ABDUL MALICK-SALIE: Ja.

MR EMMANUEL LEDIGA: Ja. And what were the profits for the 2.3 billion, can you remember that?

MR ABDUL MALICK-SALIE: 157.

MR EMMANUEL LEDIGA: R157 million. Okay, so 157 for the old business.

MR ABDUL MALICK-SALIE: Ja.

MR EMMANUEL LEDIGA: And then say roughly 200 million for the new customers transferring.

MR ABDUL MALICK-SALIE: However, the old 2.3 billion we must just note that BT – the 30% of BT had not yet transferred over to Ayo.

MR EMMANUEL LEDIGA: Yes, yes.

MR ABDUL MALICK-SALIE: So the 2.3 million assumes that that transaction has taken place.

MR EMMANUEL LEDIGA: Oh, I see, I see.

MR ABDUL MALICK-SALIE: Existing business plus and associated accounting earnings from BT.

MR EMMANUEL LEDIGA: Ja, okay.

MR ABDUL MALICK-SALIE: And that gave the 2.3.

MR EMMANUEL LEDIGA: Alright, okay, good.

ADV JANNIE LUBBE SC: Mr Salie, put differently for our normal type of person to understand in lay terms, the BT thing, as I understand it, was the pie in the sky and once realised we'll get to 5 million. If it doesn't realise we'll never get to 5 million, but billion, is that correct?

MR ABDUL MALICK-SALIE: That's correct but the 5 billion, Adv Lubbe, was more hinged on just a SASOL RFI that was currently taking place but that is correct.

MR EMMANUEL LEDIGA: And meaning that the bulk of that 2.3 billion was based on the SASOL contract.

MR ABDUL MALICK-SALIE: No, the 2.3 billion is the as is business plus the BT's earnings as they are on their own.

MR EMMANUEL LEDIGA: Oh, I see.

MR ABDUL MALICK-SALIE: 30%. So 30% of BT is owned by AWI who is the holding company of Ayo and at some point the view was to transfer that 30% over to AWI and Ayo would then absorb in those associated profits so 30% of the BT profits. It was divorced from customer transfers or the empowerment model.

MR EMMANUEL LEDIGA: So the value on that 2.3 billion included the BT transfer?

MR ABDUL MALICK-SALIE: Yes.

MR EMMANUEL LEDIGA: The BT transfer but it didn't include the 30% earnings that will come through.

MR ABDUL MALICK-SALIE: So included the 30% earnings.

MR EMMANUEL LEDIGA: Yes.

MR ABDUL MALICK-SALIE: Of the therefore of the actual asset from AWI over to Ayo.

MR EMMANUEL LEDIGA: Yes.

MR ABDUL MALICK-SALIE: But it didn't include any customer transfers from BT over to Ayo.

MR EMMANUEL LEDIGA: Yes meaning the customer transfer then became that 200 million.

MR ABDUL MALICK-SALIE: Yes, exactly.

MR EMMANUEL LEDIGA: Times the 15PE.

MR ABDUL MALICK-SALIE: Yes.

MR EMMANUEL LEDIGA: Okay, alright, thank you. And when you did this 5 billion valuation what was the value of BT by then? Was it the same as the original amount, 650 million?

MR ABDUL MALICK-SALIE: It was a about – so the 650 was referenced back to the audit valuation that was signed off the prior year. So we were in August 2016 for that 650.

MR EMMANUEL LEDIGA: Okay. Oh, see, okay. Alright, okay.

MR ABDUL MALICK-SALIE: "On the 19 July Dr Survè requested to meeting myself and Abdullah around the listing. This meeting was set for the 24 July 2017. In anticipation of meeting Abdullah asked me to prepare a list of issues to raise and to be discussed. Together with the 5 billion included in the draft PLS I prepared this and Abdullah then incorporated into an email on the 24 July to Dr Survè. I attached the email together with a draft PLS AS3 which was circulated to Hardy, Young, Gamaldien and myself. At the meeting between myself Abdullah and Dr Survè the BTI Ayo model is discussed at a high level and the draft PLS structure reviewed. Based on the storyline and the new model and supplementing other Sekunjalo group IT assets into Ayo Dr Survè was of the view that the desired value of Ayo was to be set between 10 billion and 15 billion. It was however agreed that the information provided by the BT team and the pipeline of potential investments should be reviewed to justify the 10 to 15 billion value range. At this meeting Dr Survè's recommendations were incorporated in the draft PLS and a valuation of 13 billion was determined. The revised document was sent by myself to Dr Survè on the 24 July. I attach an email as annexure AS4."

MR EMMANUEL LEDIGA: Okay, let's just stop there and check annexure AS4, talks about – is that this full document here?

MR ABDUL MALICK-SALIE: Yes, that's sort of the initial summary prelisting document.

MR EMMANUEL LEDIGA: Ja. Okay. And tell me, the 2.3 – and then going to R5 billion did it include these companies which you were planning to acquire?

MR ABDUL MALICK-SALIE: So it included those acquisitions. They included BT as on an asset value basis rather than an earnings value basis, it included a project for National Health Insurance and it also included the BT customer transfer. So the very last page of annexure 4 is sort of a breakdown of how that valuation's built up.

MR EMMANUEL LEDIGA: Yes. So let's just go through sort of moving from 5 billion to 15 billion, what are the differences there on that spreadsheet.

MR ABDUL MALICK-SALIE: Okay. So the first difference is that two things happened within Ayo or the BT model. There is a take-on of more customers, of BT's customers, there is also an increase in terms of the – or an acceleration on how those customers come on board instead of coming over 20% in year one, 30%, it comes over a bit more aggressively and transferred more aggressively and more on those customers are aggregated in that revenue line over there for Ayo or the profit earnings line for Ayo. Then you've got BT as an asset value and here's where the new BT asset value gets done. At that time the AEI finance teams an internal evaluations are being done for audit purposes and the DCF value comes out to 1.3 billion.

You've also got acquisitions at a multiple of 15 and that gives us a 1.5 billion increase in value and then the NHI prospect was valued at 2.1 billion.

MR EMMANUEL LEDIGA: So on that spreadsheet we've got – the first PE is like the 15 PE and then you go to R10.7 billion.

MR ABDUL MALICK-SALIE: Ja.

MR EMMANUEL LEDIGA: What's that one and then you add something else to take you to 15 billion.

MR ABDUL MALICK-SALIE: So three things get added. So the first thing that happens after the 10 billion earnings value is calculated, is that the earnings from BT as an associate is stripped out so that we don't double count it.

MR EMMANUEL LEDIGA: Yes.

MR ABDUL MALICK-SALIE: Then we add on the asset value of BT instead of the earnings value. The acquisitions pipeline that was presented by Kevin Hardy at a multiple of 15 and also the BT slideshow that we received for National Health Insurance which was a synergy between HST and BT.

MR EMMANUEL LEDIGA: Ja. So we move from like 5 billion to triple the value to – we added 10 billion to this valuation.

MR ABDUL MALICK-SALIE: Yes, we do.

MR EMMANUEL LEDIGA: By just changing the numbers and all that.

MR ABDUL MALICK-SALIE: I agree and that's why part of the discussion is to say that this number needs to become and auditable number before we can actually go forward with the document. But I believe at that time that document and that valuation of 15 was just to – prime will set everyone's mind in terms of a value.

MR EMMANUEL LEDIGA: But it was not, I mean, you wouldn't – I mean, given that things have been stretched so much, I mean, going from 5 billion to 10 billion, it's a...

MR ABDUL MALICK-SALIE: You wouldn't be able to take that through an audit process and I think that's why the final valuation that gets done drops off most of the items that are added here.

MR EMMANUEL LEDIGA: H'm. And then Ayo, in the beginning, you know, it's now put in at 9 billion basically. Why is that?

MR ABDUL MALICK-SALIE: Ayo at 9?

MR EMMANUEL LEDIGA: In that spreadsheet there.

MR ABDUL MALICK-SALIE: The existing Ayo, let me just go back to that.

MR EMMANUEL LEDIGA: Versus what it was putting on maybe in the first spreadsheet.

MR ABDUL MALICK-SALIE: Okay. So these earnings for the 2018 should be 2019 period. All those forecasted earnings were adjusted upwards to say if these businesses receive the capital injection, how could all of these businesses leverage and grow themselves organically but that itself was also very much an extremely rough estimation.

MR EMMANUEL LEDIGA: Ja, ja, ja. And do you know I'm asking this because there's been so much talk about this valuation and I've been curious to see how it has developed, you know, and now it's becoming clearer and clearer.

MR ABDUL MALICK-SALIE: Okay.

MR EMMANUEL LEDIGA: That, you know, things are being stretched a bit here.

ADV JANNIE LUBBE SC: Mr Salie, I'm not a financial person but with my limited knowledge of finance it appears to me – and I'm putting it to you, this is a juggling of figures and the end result is a thumb suck.

MR ABDUL MALICK-SALIE: At this stage, yes, Adv Lubbe.

ADV JANNIE LUBBE SC: Thank you.

MS GILL MARCUS: But perhaps while you're on it because you can go to the next paragraph which then moves the valuation to 20 billion and we can see that in actual fact from what you've presented here, the base case is 2.3 billion and that is verifiable and real. Beyond that everything is an adjustment upwards in terms of saying that's the target, now what has to change in order to reach that target and that valuation and all of those are, if you like, extrapolations of what might be, what could be, should this happen, we would be able to reach that value. So it is a question that says if one had to go with your prelisting statement and obviously we will come to that just now in terms of the BT component of this, that anything above the 2.3 billion was because targets were set at what an expectation of valuation would be and numbers then manipulated to say to reach that target that this would have to happen but they were not real, they were the question of actually saying if this occurred we could get to that number, if that occurred we could get to that number. Would that – so that the reality is 2.3 became 20 billion.

MR ABDUL MALICK-SALIE: In the build-up to the ...[intervenes]

MS GILL MARCUS: Prelisting.

MR ABDUL MALICK-SALIE: Ja. So to answer that, the build-up phase, before we get the actual prelisting work, that is a hundred percent correct.

MS GILL MARCUS: Okay.

MR EMMANUEL LEDIGA: Let's just look at BT, that spreadsheet again. You have put it at 1.3 billion and you said the difference was when you changed from the asset base to the earnings base. So come again there, ja, just explain that one.

MR ABDUL MALICK-SALIE: So within the first valuation model the BT associated earnings of 30% was 108 million, estimated for 2019, and that had a multiple of 15, gave rise to its proportion in the 2.3 billion.

MR EMMANUEL LEDIGA: Yes.

MR ABDUL MALICK-SALIE: Looking at other valuation models in the market at that time the thought was to say BT's 30 equity earnings shouldn't be looked at in terms of the earnings they provide but rather the total asset value of BT based on a discounted cash flow.

MR EMMANUEL LEDIGA: Yes.

MR ABDUL MALICK-SALIE: So you'll notice we take out the associated earnings out of that calculation, it gets subtracted and then you add on the actual perceived asset value at the time.

MR EMMANUEL LEDIGA: Yes, alright. And then the R2 billion, the last figure there that you put just above the 15 billion, 2.17 or so, what did you plan to do there because I mean the NHI hasn't even started, so I'm just wondering what you were planning to do there, just if you could add something there?

MR ABDUL MALICK-SALIE: So that was added in, as Commissioner Marcus says, just to see what the possibilities were at the time in terms of building value through different projects and scenarios.

MR EMMANUEL LEDIGA: Yes.

MR ABDUL MALICK-SALIE: And that's one of the elements that gets dropped off in the final valuation because ...[intervenes]

MR EMMANUEL LEDIGA: Oh, okay, okay.

MR ABDUL MALICK-SALIE: ...it's something that wasn't probable.

MR EMMANUEL LEDIGA: Alright, so I think somewhere you say that this was double-checked by Grant Thornton, I think, is that ...[intervenes]

MR ABDUL MALICK-SALIE: That's when we get to the actual listing process.

MR EMMANUEL LEDIGA: The actual listing process, ja.

MR ABDUL MALICK-SALIE: This is the build-up to that listing process.

MR EMMANUEL LEDIGA: Alright.

MR ABDUL MALICK-SALIE: At this point it's all internal ...[intervenes]

MR EMMANUEL LEDIGA: Just to test the issues.

MR ABDUL MALICK-SALIE: Yes.

MR EMMANUEL LEDIGA: And see whether, you know, you can – how far this valuation can go. Is that what you're saying?

MR ABDUL MALICK-SALIE: Yes.

MR EMMANUEL LEDIGA: And then you've got to get an independent party to stress test this thing and all that, is that what you're saying?

MR ABDUL MALICK-SALIE: So when we get to the actual listing process ...[intervenes]

MR EMMANUEL LEDIGA: We'll get there.

MR ABDUL MALICK-SALIE: ...as with Premier, it would have to go through a full audit process.

MR EMMANUEL LEDIGA: Yes and yes and then you'll take us through what...

MR ABDUL MALICK-SALIE: Yes, actually...

MR EMMANUEL LEDIGA: What survived, what didn't survive.

MR ABDUL MALICK-SALIE: Yes.

MR EMMANUEL LEDIGA: Alright, okay, alright.

MR ABDUL MALICK-SALIE: Okay.

> "On the 8 August 2017 a meeting is held at Dr Survè's Claremont offices where he briefs Abdullah Gamaldien Nock, Salim Young, Njabulo Jiki around the ICT market and what the team should be considering from

a value proposition perspective. I attach the minutes of this meeting and an email sent to myself by Jiki marked AS5. As it will be noted from the document, Jiki points out that Dr Survè's valuation expectation of Ayo was 20 billion. With the backdrop of meetings held and a target value set ...[intervenes]

MR EMMANUEL LEDIGA: Just hold on there? Sorry, again. AS5 and you are saying there's a 20 billion valuation, is there some line there where they refer to it?

MR ABDUL MALICK-SALIE: So what happened here, Commissioner, was the – I was not present in these meetings and I asked one of the corporate finance teams, Njabulo Jiki, to summarise the takeouts and the next mail you'll see he labels it Dr Survè's listing lecture takeouts. And in the documents what the discussions were and it's a bit more detailed than what the minutes of that meeting were and in there he describes and says what he believes the – because of the ICT market and where it's going, what the planned target value was.

MR EMMANUEL LEDIGA: Yes, alright. Okay, okay. Thank you.

MR ABDUL MALICK-SALIE: Okay.

"With the backdrop of meetings held and a targeted value set the team continued to work towards achieving a target which would withstand audit. Hardy and Olwage then continued to provide further information to supplement and build the Ayo value including BT and HST, a current subsidiary of Ayo, collaboration document which addresses NHI. A BT

> strategy document for a better view of a roadmap and a new model. Olwage also sends information about cyber security and the market size. He also forwards Ouvum Market data."

MR EMMANUEL LEDIGA: Can I stop you there please? Let's go back to annexure AS5 and this is a letter from Njabulo Jiki to you, I think.

MR ABDUL MALICK-SALIE: Yes.

MR EMMANUEL LEDIGA: And it goes, paragraph 3, if you could just explain that or sort of read that for us?

MR ABDUL MALICK-SALIE: Okay.

> "Targeted market cap. The targeted market cap is 20 billion for a listing by November 2017. My sense is 10 billion would be bronze, anything below 10 billion is a dismal."

MR EMMANUEL LEDIGA: So, I mean, what do you think it means? What was Njabulo Jiki trying to say here?

MR ABDUL MALICK-SALIE: So effectively I think what he said is the takeout of the meeting was that based on all the plans and the vision for Ayo, anything below 10 billion is something that would not be acceptable.

MR EMMANUEL LEDIGA: Okay, alright.

MS GILL MARCUS: But just to clarify, this is notes of the meeting and therefore this is a reflection of what Dr Survè was saying in that meeting.

MR ABDUL MALICK-SALIE: I think the minutes detail who says what but Njabulo's email, I don't think he specifies exactly who said that.

MS GILL MARCUS: No, but I'm saying it's from the meeting with Dr Survè.

MR ABDUL MALICK-SALIE: From that, yes, yes. Okay.

> "On 14 August 2017 Abdullah sends Dr Survè an update of the work done on the PLS, (see AS6) and on the 28 August 2017 Abdullah emails Dr Survè and advises him that based on the available information a valuation of 8 billion was attainable and could withstand audit review. Subsequent to the email Abdullah advised me to add other investments of the Sekunjalo Group to increase the value. I then achieved a value of 10.2 billion. According to the best of my knowledge Dr Survè was provided with this document and he advised Abdullah that certain investments could not be included and then Abdullah should try to get above 10 billion to a 15 billion range. On the 18 September ...[intervenes]

MR EMMANUEL LEDIGA: Just hold on there, sorry. Ja, so you had to put some IT investments from AEI(?) or what, I mean, on – in ...[intervenes]

MR ABDUL MALICK-SALIE: In the greater Sekunjalo Group.

MR EMMANUEL LEDIGA: Sorry?

MR ABDUL MALICK-SALIE: I think ICT assets from the greater group.

MR EMMANUEL LEDIGA: And you couldn't include them?

MR ABDUL MALICK-SALIE: Based on – I think there's an email trail that comes out in paragraph 29 that – where Dr Survè says no, that we should not be including certain of those items.

MR EMMANUEL LEDIGA: Yes and including them took you from 8 billion to 10.2 and then it was said you don't have to include them so you should have gone back to 8 billion, isn't it?

MR ABDUL MALICK-SALIE: Yes.

MR EMMANUEL LEDIGA: The value should have gone to 8 billion.

MR ABDUL MALICK-SALIE: Yes.

MR EMMANUEL LEDIGA: Alright, okay.

MR ABDUL MALICK-SALIE: Okay.

> "On the 18 September 2017 after further discussion with Abdullah, Abdullah instructs me to revise the valuation upward to 15 billion based on Dr Survè's input. On the same day Abdullah then emails this revised valuation to Dr Survè . I attach in this regard annexure AS7. The process above was performed internally without the involvement of external advisers but it set the tone for the prelisting statement and provided the team with a targeted expected valuation which we had to work towards and achieve in the formal process with external advisers and particularly the auditors for sign-off of the valuation."

MR EMMANUEL LEDIGA: Okay come again, let's come again there, so in paragraph 28 we were at R8 billion okay and this goes to 15 billion and you have explained I think the issues and you were not there yet with Grant Thornton and the other guys so you guys you said look we'll take it from 8 billion add another 7 or so to 15 and then we'll take it through the review process is that correct?

MR ABDUL-MALICK SALIE: So I think what happened there is that the internal team's minds were primed around this target value now and we understood the different components that were fed in from BT and we would now need to go and work through models to understand how we actually achieve that value. But obviously in the sense that Grant Thornton would be able to sign off and that there was sufficient audit evidence.

MR EMMANUEL LEDIGA: And you are going to tell us about what was finally agreed in terms of this spreadsheet?

MR ABDUL-MALICK SALIE: Yes.

MR EMMANUEL LEDIGA: Ja alright, thank you.

ADV JANNIE LUBBE SC: Before we proceed to the next topic Mr Salie, I have information that during this period that you now testified that there was a discussion between Dr Survé and Dr Matjila about the prelisting and the values. Do you know anything about it? Was it in your presence?

MR ABDUL-MALICK SALIE: Adv Lubbe there was discussion around the PIC and their involvement similarly to that of Premier Fishing and there was a con call where I was present where Dr Survé had a discussion with Dr Dan and I'm not sure who else in the PIC sort of getting them ready to say well we are and we do have a roadmap for this Ayo, not Ayo for the ITC listing and that he would come and discuss or that the team would come and discuss that at a later stage.

ADV JANNIE LUBBE SC: Do you have perhaps a date of that meeting, of the discussion, if not ... (intervention)

MR ABDUL-MALICK SALIE: Adv Lubbe I think that discussion takes place around the meeting with Dr Survé at the end of August.

ADV JANNIE LUBBE SC: 2017?

MR ABDUL-MALICK SALIE: 2017.

ADV JANNIE LUBBE SC: So would it be correct to say that even before there was any finalisation of the valuation ... (intervention)

MR ABDUL-MALICK SALIE: Sorry that's July hey, I think it's July.

ADV JANNIE LUBBE SC: July, but the question is would it be correct to say even before the finalisation of the valuation and even a draft PLS statement Dr Survé was in discussion with Dr Matjila from the PIC is that correct?

MR ABDUL-MALICK SALIE: I think that is correct based on the fact that they were also discussing Kevin Hardy and his compensation as Mr Hardy's statement notes.

ADV JANNIE LUBBE SC: Chair we're going to move to a new topic now, is it perhaps a convenient moment to take the tea adjournment or shall I continue?

CHAIRPERSON: I think let's take the adjournment. Let's take the tea adjournment until 11:20.

INQUIRY ADJOURNS

INQUIRY RESUMES

CHAIRPERSON: Yes Mr Salie you're still under oath.

MR ABDUL-MALICK SALIE: Okay thank you.

ADV JANNIE LUBBE SC: Thank you. Mr Salie will you then please proceed on paragraph 31, the listing process and Ayo valuation.

MR ABDUL-MALICK SALIE: On the 22nd August and Abdulla meet

Investec as possible sponsor broker of the Ayo listing. However, on the 13th September 2017 Abdulla informs the team that he had discussions with PSG Capital and as they were at the time the sponsors of AEEI and they were known to the Sekunjalo Group we would use them in the listing process.

On the 13th September the first meeting between PSG, AEEI and Ayo teams takes place. David Tosi and Willie Honeyball of PSG are engaged on the 4th October 2017 and on the same day Honeyball addresses an e-mail in which he outlines PSG's role and sets timelines. At this time Abdulla also made it clear to the team that the target date is tight and that the Sasol bid required Ayo to be financially capable of executing the bid. He further noted that markets and the political climate in 2018 were uncertain and that it was best to push to complete the listing before end of 2017.

ADV JANNIE LUBBE SC: I'm sorry to interrupt you, but I have an e-mail that I want you to have a look at, it's not part of your presentation, it's an e-mail I obtained and it's from Willie Honeyball who is he?

MR ABDUL-MALICK SALIE: Willie Honeyball is part of the PSG team.

ADV JANNIE LUBBE SC: It is dated the 27th September it is addressed to you and it's copied Khalid Abdulla, Naahied Gamieldien, we know who they are, David Tosi is he from PSG?

MR ABDUL-MALICK SALIE: From PSG.

ADV JANNIE LUBBE SC: The title is Ray market sounding intro, I'm not going to read the whole mail but the important and interesting paragraph is the last paragraph where he states, now important is the date, 27 September:

> "We understand that Dr Survé wants Ayo listed before the end of November 2017 due to the pension funds year-end requirements so we will need to move fast here."

Can you just have a look at this document? Can you recall such an e-mail?

MR ABDUL-MALICK SALIE: I do Adv Lubbe, this mail was addressed to me.

ADV JANNIE LUBBE SC: And it would appear that the PSG people already knew at that stage that the GEPF will be involved or am I not correct?

MR ABDUL-MALICK SALIE: Based on the contents of the mail yes Adv Lubbe.

ADV JANNIE LUBBE SC: Thank you. Please proceed.

MS GILL MARCUS: Sorry I'm not quite sure I'm with you. So in essence what aspect of the pension fund requirements would have been affected by the listing, I'm just not sure what the implication of, obviously there's two implications, one that it was known that the GEPF would be a source of funding but what would the pension fund requirements be that had to be met by the year-end?

MR ABDUL-MALICK SALIE: Commissioner I can't answer that question, I don't know what the context of that comment from Willie was.

Myself and the AEEI corporate finance team was tasked to build a share value around the target valuation of 15 billion. The calculation of the valuation of R43,00 per share was based on forecasting profits from both the existing Ayo companies as well as the profits and revenues that would result from the proposed BT Ayo model described herein before, the forecasted profits which ended up being 749 million and 105 billion excluding minorities in the 2018 and 2019 financial years respectively.

These profits were multiplied by a forward price earnings multiple of 20 and 14 in the respective years. This amounted to a valuation of 14.7 billion the total shares in issue post-listing after diluting AEEI down to 49% amounted to 344 million shares. Therefore ... (intervention)

MR EMMANUEL LEDIGA: Sorry, so the profit is it sort of, do you have it as a range there the 749 and the 105 billion ... (intervention)

MR ABDUL-MALICK SALIE: No the thought around that was to prepare a minimum of two years forecast so the 749 was the year after listing, 2018 ... (intervention)

MR EMMANUEL LEDIGA: Yes the first year of listing.

MR ABDUL-MALICK SALIE: And the 105 billion was the second year which was the 2019 financial year.

MR EMMANUEL LEDIGA: Okay I see alright and then the first year there was a PE multiple of 20?

MR ABDUL-MALICK SALIE: Yes.

MR EMMANUEL LEDIGA: And then the second year was the forward of 14.

MR ABDUL-MALICK SALIE: The forward of 14.

MR EMMANUEL LEDIGA: Okay.

MR ABDUL-MALICK SALIE: The total shares in issue post-listing after diluting AEEI down to 49% amounted to 344 million shares therefore the 14.7 billion divided by the number of shares in issue post-listing amounted to a value of R43,00 per share. The full valuation model of Ayo as reviewed and which was eventually signed-off by Grant Thornton Auditors is available to the Commission should it be required.

ADV JANNIE LUBBE SC: Just for the record Mr Commissioner it is available, it's a large volume of documents but we have it available on an electronic stick.

MR EMMANUEL LEDIGA: And just a question there then, what value did the model or what value did Grant Thornton come up with because we said they had to remove a number of things and all that?

MR ABDUL-MALICK SALIE: So I don't think it's explained quite well in this section pure lection Mr Commissioner. Almost everything that were billed or add-ons were removed, what remained use Project Zebra its fullest in terms of bringing on the customer forecast and then there was also a view of attaining market shares in the retail public sector and financial services sectors based on market data, Gartner data that was provided by BT that a far smaller part but the primary driver for the forecast was the alliance agreement and the Project Zebra customer revenues.

MR EMMANUEL LEDIGA: And what was the final valuation that GT gave?

MR ABDUL-MALICK SALIE: They signed off on the 14.7 billion with the 2019 year having a profit of a billion.

MR EMMANUEL LEDIGA: But then there was no difference between the 14.7 and the 15 which was in your internal model.

MR ABDUL-MALICK SALIE: Internal, I think the number ends up and comes up to the same value but the components there are dramatically different.

MR EMMANUEL LEDIGA: Oh I see, I see so the mix was different to what you ... (intervention)

MR ABDUL-MALICK SALIE: Yes.

MR EMMANUEL LEDIGA: Ja alright I think we will have to get that document.

MR ABDUL-MALICK SALIE: Okay.

CHAIRPERSON: Can I just before I forget Adv Lubbe, what do we make of the e-mail that you showed the witness, is it a document that you're going to hand up or?

ADV JANNIE LUBBE SC: I read it into the record Mr Commissioner but I think I must perhaps hand it up as part of the record of the Commission.

CHAIRPERSON: Yes, thank you.

MR EMMANUEL LEDIGA: Ja I think just in a nutshell give us the difference between the internal model and what Grant Thornton you know came up with just for the record, just in a nutshell, so in a summary.

MR ABDUL-MALICK SALIE: Just to correct that Grant Thornton never built the second, the formal model they audited the model.

MR EMMANUEL LEDIGA: Ja.

MR ABDUL-MALICK SALIE: So both the pre-listing model and the actual real process of listing both those models were built by the internal teams but the second one was audited by Grant Thornton. The fundamental differences as I said was to remove things like the NHI or one of the key things is that because we have not engaged any of those target companies to the point where we had a signed term sheet we couldn't include them in our valuations so they were removed and looking at what was left in the final model it was the existing businesses which were basically scaled up because of the fact that capital would be injected right and secondly because there was a belief that they could leverage off the synergies of the BT relationship. But the primary, primary driver was the customer take on from BT.

MR EMMANUEL LEDIGA: And meaning that the figures had to go up because quite substantially because you actually removed some of the things that were there ... (intervention)

MR ABDUL-MALICK SALIE: The final, you're right Mr Commissioner the final Project Zebra take on of customers was using the document to its fullest.

MR EMMANUEL LEDIGA: Alright thank you.

CHAIRPERSON: Just for the record Adv Lubbe this document we had copies of it in our file, I didn't realise that it was the same document.

ADV JANNIE LUBBE SC: There are not copies in the file.

CHAIRPERSON: Yes but in any event ... (intervention)

ADV JANNIE LUBBE SC: We will supply the Commission with further copies.

CHAIRPERSON: I'm giving it an exhibit number as AS8a, small A.

ADV JANNIE LUBBE SC: Appreciate, thank you.

CHAIRPERSON: Okay I've just been corrected it was not in the file but it was a loose sheet that we saw this morning.

MR ABDUL-MALICK SALIE: The key driver to the forecasted profit which gives rise to the R43,00 valuation is the take on of the BT customers as a result of the required empowerment credentials. It is necessary to point out that Hardy provided the audit team of Grant Thornton with supporting information substantiating the assumptions made for the forecasted revenues as per the e-mails attached hereto marked AS8.

Hardy and Nodwele further held a meeting with Grant Thornton and provided the auditors with information on BT Ayo model and discussed the reasonableness of the forecasts. Grant Thornton and PSG also requested the BT Alliance Agreement between BT SA and Ayo as well as the legal basis for supporting the forecasts.

It must be noted that from a listing team and service provider's perspective that I believed at an early stage that we were engaging the CEO of BT and its team who had full authority to provide the information on which the forecast would be built and that they would introduce to companies to target for acquisition.

The information provided by Hardy, Olwagen and others ultimately formed the basis of the valuation of the Ayo share price. This information and assurance was regarded as credible and reliable considering that Hardy acted in his capacity as CEO of BT.

It however later becomes apparent that Hardy was not acting with the authority and/or consent of BT which ultimately has an impact on the transaction relating to the transfer of AEEI's 30% share in BT to Ayo in the 2018 post-listing. According to the best of my knowledge Hardy was officially appointed as CEO to Ayo on the 17th November 2017.

It is necessary to point out at this stage that much later and on the 23rd August 2018 BT addresses correspondence to Hardy and Young of Ayo in which they set out their concerns related to alleged confidentiality breaches. I refer in this regard to AS9.

MS GILL MARCUS: Sorry Mr Salie can we move to AS9 and perhaps to ask you if you could look at paragraph 3 and read that in full?

MR ABDUL-MALICK SALIE: Paragraphs 2.2 to 2.5 of Ayo response letter is simply not correct ... (intervention)

MS GILL MARCUS: And just to indicate that there had been concerns from BT to Ayo in the letter of 15th June and there Ayo's letter of reply was 3rd August and this is a response to that correspondence is that correct?

MR ABDUL-MALICK SALIE: Yes.

MS GILL MARCUS: Okay if you could stay with paragraph 3 for a moment.

MR ABDUL-MALICK SALIE: Is not correct and nothing you have said in the Ayo response letter adequately address how Ayo came into possession of BT's confidential information and why Ayo thought it acceptable to disclose such information in the Ayo pre-listing PLS without BT SA's consent. A bland statement that we are of the view that no confidential information of BT SA was disclosed in the PLS unfortunately does not give BT SA comfort. We need not remind you that the directors of Ayo assume personal responsibility for the contents of the PLS and the reliance on external advisors such as AEEI corporate finance does not absolve them from any misstatements.

Ayo had not taken the time nor the effort to analyse the PLS in detail and extract those provisions thereof which constitute misleading information BT SA's confidential information and a breach of the alliance agreement. We have taken the liberty of highlighting a number of but by no means all of those provisions to ensure that there is no ambiguity in this regard.

These provisions are the following:

The continuous reliance on key strategic relationship between BT SA and Ayo indicates the investor a much closer working relationship between Ayo and BT SA than what was envisaged in the alliance agreement.

Ayo disclosed BT SA's dividend policy stating that 50% of the BT SA profits are distributed annually to its shareholders.

Ayo stated that its anticipated revenue is to increase by 825% predominantly from existing customers engaged by BT SA or who are anticipating to move ... (intervention)

MS GILL MARCUS: Perhaps if you go to 4.4.

MR ABDUL-MALICK SALIE: Ayo forecasted revenue was based on the transfer of services and products over time to service BT SA's existing primary customers.

Ayo anonymously listed three of BT's primary existing clients in South Africa including an estimation of the envisaged revenue to be transferred to Ayo from such customers in the 2018 and 2019 financial years.

Ayo stated that the market research performed by Ayo in collaboration with BT SA engaging their three primary existing customers indicates that these companies are likely to shift their services to suppliers which would improve their preferential procurement spend.

Ayo modelled its business case on the actual IT spend from BT SA's three primary existing customers and reflected their actual spend and revenues generated by BT SA from these customers.

MS GILL MARCUS: And if you could then just deal with paragraph 6.

MR ABDUL-MALICK SALIE: Not only was the information relating to BT SA's existing customers, its revenues and anticipated transition of BT SA's existing customers to Ayo not provided to Ayo, such information and disclosures are not factually correct. BT SA's consent was never sought nor obtained in any such disclosures.

MS GILL MARCUS: (Inaudible – microphone not switched on) ... paragraph 8 the question of the development of a customer pipeline was Ayo's role and responsibility and not something that was to be based solely on its relationship with BT SA or the transfer of all or any of BT SA's customers to Ayo. This is wholly misleading and not reflective of the contractual commitments of the alliance agreement. Now this letter was sent to Ayo in August, 23rd August.

MR ABDUL-MALICK SALIE: 2018.

MS GILL MARCUS: In 2018 and was any of this matter of dispute about the PLS and what was stated disclosed to the PIC?

MR ABDUL-MALICK SALIE: I'm not sure Ms Commissioner.

MS GILL MARCUS: And perhaps if we could find that out Adv Lubbe whether they were aware of this difference of view and what was transpiring in relation to Ayo and BT.

ADV JANNIE LUBBE SC: Noted Mr Commissioner.

MS GILL MARCUS: Okay and therefore obviously as you state there that this was a major concern because the essence of the build as you have said on the valuation was an assumption of the reliance on BT customers moving over to Ayo and the connections there. So the implication or how did you interpret the implications of this letter for the functioning of Ayo and its values, valuations?

MR ABDUL-MALICK SALIE: Ms Commissioner I at the time never really considered the impact because at that point the executives at Ayo were driving to do acquisitions aggressively and then build up those numbers almost from a different standpoint to say they would build and make up those numbers doing those acquisitions which were not included in the forecast but furthermore Kevin Hardy continued to speak to customers such as Anglo and others which are BT customers so there was a grey area in terms of everyone else's understanding around how these customers would transfer because the individual task to move over from Ayo or from BT to Ayo was continuing to lead everyone in the direction of these customers are coming over. But this letter itself in the current context obviously has a completely different interpretation or meaning.

MS GILL MARCUS: And the listing and the raising of capital was for the purpose of acquisitions the 4.3 billion of Ayo was intended to aggressively acquire new companies and new business?

MR ABDUL-MALICK SALIE: So there were three elements to that, the 4.3 billion was earmarked to do internal projects whether existing subsidiaries could leverage so there were working capital loans for them to grow themselves organically. There were budgets earmarked for customer take on because for Sasol itself there was a significant amount of money that needed to be spent to onboard that customer and the third element was to go out and aggressively acquire companies at good multiples to augment the product and service basket.

MS GILL MARCUS: And in previous testimony we've seen that the funds raised were primarily placed with different entities both related party and commercial banks and entities earning interest and a very small percentage of that has been utilised for the objectives raised in, for the objectives for which the funding was raised. Is that still the case? How much because my recollection is over three and a half, 3.7, 3.8 of the 4.3 was on deposit with various institutions.

MR ABDUL-MALICK SALIE: That's correct Ms Commissioner.

MS GILL MARCUS: So very little has been used for the purpose that Ayo was listed for.

MR ABDUL-MALICK SALIE: Yes I deal with the acquisitions later on in the statement but that's correct.

It is necessary to point out at this stage that much later, okay we've done that one.

As will be noted BT also state inter alia that it had not introduced Ayo to target companies as its stated in the Ayo pre-listing statement. The breakdown in relationship between BT AEEI and Ayo was a major concern to all.

I have noted what Gamieldien states about the engagement of PSG in regard to the listing process and fees payable to them for the services to be rendered and the final fee paid to AEEI Corporate Finance. I am unable to comment on how this fee was negotiated or determined. According to the best of my knowledge this is an issue which would have been dealt with by Abdulla. Other than ... (intervention)

ADV JANNIE LUBBE SC: Can we just for the record identify who exactly is AEEI Corporate Finance, is it a company separate in the group or what is the situation?

MR ABDUL-MALICK SALIE: So effectively AEEI Corporate Finance is a 100% subsidiary of AEEI but to the best of my mind AEEI Corporate Finance isn't really a functional entity, myself and Njabulo Jiki was on board and as directors of that business in the latter part or after of November 2017 so AEEI Corporate Finance is effectively a business where I believe Sheree Hendricks and Khalid Abdulla were the two directors on that business until the 23rd or the 25th November.

ADV JANNIE LUBBE SC: Were they involved in the signing off on the PLS?

MR ABDUL-MALICK SALIE: I believe yes both of them were involved in the signing off of the PLS.

ADV JANNIE LUBBE SC: Thank you.

MR EMMANUEL LEDIGA: Just as a follow up there, do they charge fees when they do the work?

MR ABDUL-MALICK SALIE: No to the best of my knowledge that fee for Ayo was the first fee charged by AEEI Corporate Finance.

Other than the forecasted profit and PE multiple the shareholder spread calculation was a key consideration to comply with the JSE requirements for listing. The team would need to balance the spread by dealing with two conflicting components that is the BEE shareholder percentage and achieving the minimum JSE required 20% free-float. The free-float percentage was signed off by AEEI executive formally on the 18th December 2017 at 21.67%.

Part of the process of achieving this balance was the creation of a union based BEE consortium as well as selling off and transferring connected shareholder shares to external parties.

ADV JANNIE LUBBE SC: Can you just perhaps explain in more detail for the Commission what is meant by free-float?

MR ABDUL-MALICK SALIE: So effectively Mr Commissioner for the, for any entity to be listed on the JSE other than when they actually get special permission by the JSE they need to bring that company to the JSE and they should have 20% of the shares allocated to open public. So by open public it's non-connected, any party that has less than 10%. So the objective of this rule or principle is to ensure liquidity of the share and to ensure that there is tradability of it. Therefore, they wanted 20% minimum for companies – 20% free float minimum for companies to be listed.

MR EMMANUEL LEDIGA: The same paragraph, the PE that was put, the PE that was put for this company for Ayo was around 16, isn't it?

MR ABDUL MALICK-SALIE: It's 2019, ja, the forward PE of 14.

MR EMMANUEL LEDIGA: Yes. And it was compared with companies in the market like EOH, I think, and the others but these companies have been in the market for a long time and they've got the track record in acquiring companies not necessarily going to acquire companies, alright? So do you think this company should have gotten that 16 PE? I didn't have that track record that the other companies had built over time.

MR ABDUL MALICK-SALIE: So from an acquisition perspective, Commissioner, Ayo itself and AEI the broader group in the past five years leading up to the listing had concluded with the same team a number of acquisitions and was able to – and understood the process of acquiring companies quite well and that's one of the primary reasons that AEI itself was still involved post-listing with Ayo to try and acquire companies and we'll get to that at a later point but to your point it's a forward multiple on a company that is basically starting up in the acquiring process so it is on the higher end of a multiple.

MR EMMANUEL LEDIGA: You see it's because when we – I mean, it's fine that the other companies within the group knew how to acquire companies but you have to rely – you've got to talk about Ayo actually and its track record because you can never know what would happen, isn't it?

MR ABDUL MALICK-SALIE: I agree with you, Mr Commissioner, but I think the nature of how interlocked the teams are within the AEI group explains the mindset and the thought process at the time.

MR EMMANUEL LEDIGA: And do you have any view what kind of a – you said it could have been a lower PE or you said it was at the high end. Do you have any view what kind of PE could have been appropriate besides the fact that the profits also you could talk about that issue, you know?

MR ABDUL MALICK-SALIE: So at the higher end of looking at a forward PE I agree but got the comparative companies at the time were trading on a 16 plus and certain companies like Adapt IT had breached past the 20 and the proposed 14 PE was something that we validated with the auditors at the time so I believe between 12 and 14 would be reasonable.

MR EMMANUEL LEDIGA: And the profit that – the profit figures I mean as we said they were quite stretched, isn't it? I mean, those are even bigger issues there.

MR ABDUL MALICK-SALIE: Ja, the profit figures were aggressively based on the project Zebra documents.

MR EMMANUEL LEDIGA: Ja, ja, you know, and it was a lot of – I'm trying to find the word, not Blue Sky.

MR ABDUL MALICK-SALIE: Assumptions.

MR EMMANUEL LEDIGA: A lot of assumptions which could happen or might not happen.

MR ABDUL MALICK-SALIE: Yes, Mr Commissioner.

MR EMMANUEL LEDIGA: Alright.

MR ABDUL MALICK-SALIE: Okay.

> "BEE consortium. A presentation was done to union heads by Abdullah, Hardy and myself at the Convention Towers in Cape Town sometime in October/November 2017 at which time we presented a market sounding document in relation to Ayo listing and its proposed value. The unions later submitted applications for share allocations to Abdullah and Arthur Johnson at 3 Laws who deal with the administration of the share allocation and loan agreements. The total allocation of shares was thereafter approved by shareholder circular and an amount of 31 960 000 shares are allocated to unions at an issue price of R1.50 prior to listing. Johnson completes an allotment list and sends it to Abdullah

on the 15 December 2017. Abdullah reviews the list and a final list as per the share register is reflected below. 15 395 000 share issue is ultimately funded by 3 Laws with 4.5 million shares in cash and 12 million being funded by a short term loan. As explained, above the free float for the listing was an issue as 3 Laws held 20 million shares which originated from Sekunjalo Capital historically. Discussions was held between Abdullah and Johnson and these shares were sold or transferred as it would compromise the already tight free float requirement. It was agreed that these shares would be sold or donated to external empowerment funds which are set out below."

MS GILL MARCUS: Sorry, can I just ask two questions? If you say that 3 Laws funded those purchases whose money did they use?

MR ABDUL MALICK-SALIE: I'm not sure, Ms Commissioner. Oh sorry, so based on previous testimony and I believe – in fact, ja, no, no, it's Premier Fishing that initially provided the funding directly Ayo Technologies but on the request of AEI and subsequent to that 3 Laws refunded Premier Fishing.

MS GILL MARCUS: But they refunded it so basically, I mean, how – if it came from Premier Fishing would there have had to been a board approval to give that fund, Premier Fishing board approval to give that funding over and when it was refunded where did the money come from?

MR ABDUL MALICK-SALIE: So my belief is that 3 Laws paid the money into AEI and AEI refunded Premier Fishing. The Premier Fishing Group was 100% subsidiary of Sekunjalo since its inception and the way that the company operated pre and post-listing is that it would provide operational loans.

I believe even within its MOI or shareholder's agreement it's got the right to transfer and provide assistance to subsidiary and sister companies. So one an instruction came from AEI down to Premier Fishing those executives would not necessarily know or understand what that funding was for and they would fund up to AEI. In this instance because of time pressure they were told to transfer that money straight to Ayo.

MS GILL MARCUS: So basically it acts as a bit of a piggy bank, you can dip in and out? Is there a limit on the ceiling, is there a ceiling of the amount that they can fund?

MR ABDUL MALICK-SALIE: I'm not sure, Ms Commissioner, I am not sure of the details.

MS GILL MARCUS: Okay. And in terms of all this BEE consortium that is there were there any intermediaries, were these directly paid into each of these entities? Was there any warehousing that took place? Was it kept with any individual before being transferred to the organisation and can we get separately a list of all the – either the executives or the members of these different BEE consortiums so we have an idea who they are? I don't need that now because obviously some you do know but some we don't but if one took an example there's been a lot of discussion in the media about FEDUSA or it that money paid or those shares allocated to FEDUSA or was there an intermediary?

MR ABDUL MALICK-SALIE: So at the bottom section, Ms Commissioner is the shares that were donated which previously were owned by the 3 Laws Capital so that's not part of the BEE consortium funded shares.

MS GILL MARCUS: Okay.

MR ABDUL MALICK-SALIE: But based on the media reports I believe that it was housed and it would be later allocated but from myself I don't know the detail.

MS GILL MARCUS: And why would 3 Laws own these shares?

MR ABDUL MALICK-SALIE: That was part of a historical transaction or historical part of Sekunjalo Capital. I think 10 or 15 years ago Sekunjalo Healthcare was going to be listed, it was a public company and Sekunjalo Healthcare later then became TSL which then later became Ayo, so this was part of quite an old structure.

MS GILL MARCUS: And 3 Laws is a related party company.

MR ABDUL MALICK-SALIE: Yes and the reason why 3 Laws had to transfer or donate these shares to external parties is because of the pressure on the free float.

MS GILL MARCUS: Okay, thank you.

ADV JANNIE LUBBE SC: Can you also perhaps just explain from later revelations in the press, De Femme, I think it's correctly pronounced. Who is De Femme(?) Holdings Group?

MR ABDUL MALICK-SALIE: Adv Lubbe, I don't know the detail but based on the press releases I believe that there are one or two representatives of Ayo, Ayo's board that's part of the De Femme

Holdings.

ADV JANNIE LUBBE SC: Can you name on?

MR ABDUL MALICK-SALIE: I believe Dennis Georg is one.

ADV JANNIE LUBBE SC: Thank you.

MR EMMANUEL LEDIGA: Just another question on paragraph 41 and 42. The shares in paragraph 41, were these given through a loan programme and then the 42, were they donated because when you add them up they equal something like R75 million or so worth of shares, around there. If you say 32 million shares and 20 million is about – ja, 25 million or so.

MR ABDUL MALICK-SALIE: So, Mr Commissioner, I'm not sure about the bottom section but the – and the pricing or any agreements that live in the bottom section, so that we'd have to ask the 3 Laws team about. The top section was the R1.50 funding arrangement.

MR EMMANUEL LEDIGA: So 3 Laws funded the full amount, no?

MR ABDUL MALICK-SALIE: Yes. So they funded the full amount but the Black Business Council as an example paid cash for theirs.

MR EMMANUEL LEDIGA: Okay.

MR ABDUL MALICK-SALIE: And then the Inyathelo Capital, the 65 and the 500 000 also paid cash for theirs. The balance thereof was funded.

MR EMMANUEL LEDIGA: Okay, alright.

MS GILL MARCUS: How did 3 Laws decide on the three entities that it would donate to?

MR ABDUL MALICK-SALIE: I don't have knowledge of that, Ms Commissioner.

"PIC engagements and investor engagements. As

> stated above, Hardy had started the preparation of a market sounding document to be presented to potential investors. Myself, Abdullah, Gamaldien and Nodwele were required to give input on this document. I attach in this regard AS10 the market sounding document."

I just want to make a correction here. This final market sounding document was not one that – the one that Kevin prepared, he prepared the first draft and then the final document was prepared by the full team.

> "Abdullah's office then arranged for the listing team to meet the PIC investment team on the 16 November 2017. On the 13 November 2017 Gamaldien addressed an email to Hardy, Nodwele and myself indicating that the PIC would be in Cape Town the next day and that we could meet the senior team before meeting the investment team on the 16th. On the 15 November 2017 we finalised the market sounding document in anticipation of our meeting with Fidelis Madavo, head of listed investments at the PIC. I attach in this regard as AS11 and AS12 an exchange of emails and attachments between Abdullah, myself and Gamaldien, Hardy and Nodwele and between Hardy, myself and Nodwele, AS12, is also copied to Gamaldien, Abdullah and Young. At the meeting we presented the Ayo listing to Madavo who provided

minimal comment after the presentation but noted the PIC was interested and we should proceed with meeting his team on the 16th for a more detailed discussion."

ADV JANNIE LUBBE SC: Just for the record, Mr Salie, previously you referred to the PIC investment team. The only person from the PIC present at this presentation was Fidelis Madavo.

MR ABDUL MALICK-SALIE: Yes.

ADV JANNIE LUBBE SC: There were other PIC people there?

MR ABDUL MALICK-SALIE: No, there wasn't.

"The meeting with the PIC on the 16 November was attended by myself, Hardy, Nodwele, Walter Madzonga and Mbuso Khoza with Victor Seanie, assistant portfolio manager and Desmond Sibuyi, an analyst of the PIC. A detailed discussion was held about Ayo and Hardy and Nodwele provided input about the industry and the proposed BTI and Ayo model. My input related to the history of Ayo and its current subsidiaries. On the 24 November 2017 I emailed Seanie a draft prelisting statement a week after he had initially requested it on the 17 November. As I had waited for the latest responses to the JSE review to be incorporated into the draft before submitting it. The final PLS was released to the public on the 13 December 2017."

MR EMMANUEL LEDIGA: Just a question here, I just wanted to check.

You've got quite a number of market sounding documents. I think you've got two copies or three copies. Can you explain those?

MR ABDUL MALICK-SALIE: Those were just various iterations of the market sounding document.

MR EMMANUEL LEDIGA: Okay, so the final copy would be the more relevant.

MR ABDUL MALICK-SALIE: Ja, more relevant.

MR EMMANUEL LEDIGA: Okay, alright.

MR ABDUL MALICK-SALIE: Okay.

> "Seanie thereafter addressed correspondence to myself and Gamaldien in regards to Ayo prelisting. The team responds via Nomvuyo Dube after collating the answers to questions from myself, Hardy and Nodwele and Gamaldien. On the 8 December 2017 Seanie requested me to move the listing. I escalated this request to Abdullah. On the 14 December 2017 Abdullah met me and dictated a response which I typed an email to Seanie. I understand that Seanie has already testified on this aspect before the Commission."

ADV JANNIE LUBBE SC: Can we just return to that email, Mr Salie? What exactly – can you just read it into the record? What exactly was the response dictated to you by Abdullah?

MR ABDUL MALICK-SALIE: Okay.

> "Dear Victor, thank you for your email, I understand that many of these questions were dealt with in the

presentation to the executive teams by our senior executives. From my understanding the urgency for the listing as a result of the impending contracts with one of the big corporates, have a need for black empowerment, ICT players in what is driving all the urgency. I also understood that there is support from the PIC executives in the light of the BT agreement and growth forecast for SASOL and acquisition strategy. I would check with Galied and the team but I know that the listing is definitely proceeding this year and this was a critical discussion which was held with senior PIC executives. This is just my view, a sort of a worker bee in the system but I will check with Galied and Kevin and ask them to give a call to the relevant people. Of course all of this is way above my pay grade. Kind regard, A M Salie."

ADV JANNIE LUBBE SC: Thank you.

CHAIRPERSON: Sorry, just for purposes of the record and benefit of the people who type our record, the person the witness refers as Seanie is Victor Seanie.

MR ABDUL MALICK-SALIE: Seanie, sorry.

MR EMMANUEL LEDIGA: Next question then, you know, from my side is that Victor Seanie actually mentioned here – and I've asked the question before, I think, but he said that your response was very dismissive, I mean, in paragraph 51 of Seanie's statement, and that he felt that, you know, this transaction was foregone, you know, conclusion and Dr Survè said he actually chastised you or remonstrated with you guys about that particular treatment. Do you want to comment because Seanie actually said it was you who was dismissive to him.

MR ABDUL MALICK-SALIE: So, Mr Commissioner, the way most of the decisions and/or communications would leave the team, would first be with consultation of the senior members of the organisation and the senior teams. So if there was a delay in any of the communications with the PIC it would be because myself and the people on my level would be waiting for the right response to be given to us before we could respond. So unfortunately, it seemed dismissive to Victor Seanie but it was based on the fact that we would have to wait for responses before we'd send them on.

MR EMMANUEL LEDIGA: Meaning you actually had to wait for Mr Abdullah to give you a response?

MR ABDUL MALICK-SALIE: Ja, discussing the item with him, certain of the occasions I draft the mail myself if it's a quick mail and I could fire it off but on these types of discussions which were far more sensitive we'd wait for a consultation.

MR EMMANUEL LEDIGA: Okay, alright. Thank you.

MR ABDUL MALICK-SALIE: Okay.

> "The final PLS was released on the 12 December 2017 with the subscription offers closing off on the 15 December. By this point I had not engaged any other investors other than the PIC and the union members. Tosi of PSG was concerned and noted that we could not release the PLS unless he was provided with

assurance that the listing was supported by firm offers. I understand that Abdullah engaged and met with Tosi to provide him the necessary assurance and the PLS was then released by Tosi. The subscription offers opened and the PIC submitted a signed order for the full allocation of the shares on offer which was received on the afternoon of the 14 December 2014. I was advised by Abdullah that additional subscriptions of more than a billion rand had been received. This was mainly from connected parties close to the group who wanted to take advantage of the listing. At this point the question around BEE and related parties potentially impacting free flow was considered by Abdullah and he communicated to the team that the full allocation would be allocated to the PIC."

MS GILL MARCUS: Sorry, can I just ask you in relation to the connected parties for a billion rand was this real? Was there commitment on them? If they're connected parties was there – I mean, what was the purpose of it to say they're in and then you can simply say no, they're not in. Just explain how you understood this billion rand from the connected parties' role in this listing.

MR ABDUL MALICK-SALIE: Ms Commissioner so the connected parties are not technically connected but they're close to the group in that they will – some of them are shareholders of AEI and Premier and I believe that their subscription offers were real, the Miramar investments and the like. There was a subscription by 3 Laws Capital themselves of about 300 million and then there was another one or two big allocations from external parties but they had previous relationships with the group. So our believe at the time was that there was interest from these guys and 3 Laws Capital obviously came and applied for shares themselves as well.

MS GILL MARCUS: And any understanding as to why the full allocation given that there would be the ability to spread a billion rand of the 4.3 that the full allocation would be allotted to the PIC?

MR ABDUL MALICK-SALIE: So as explained in paragraph 50, Ms Commissioner, the reasoning given to the team at that point was the fact that the empowerment credentials of those investors had to be considered.

MS GILL MARCUS: Was the PIC aware that there were other potential bidders?

MR ABDUL MALICK-SALIE: I'm not sure.

> "On the 20 December 2017 a day before listing Seanie emailed me and requested Ayo and/or AEI to propose conditions precedent as requested by his approval committee. I understand that Seanie has also testified on this issue to the Commission. I escalated this request to Abdullah who noted that I should not respond and that we would deal with this in the new year as the signed irrevocable subscription order was already received on the 14 December. Subsequently discussions relating to conditions precedent raised by Seanie's approval committee were held between the

PIC representatives and Ayo and AEI executives in regard to the issue an agreement was concluded which aimed to provide protection to the PIC for the investments in Ayo. According to my knowledge this agreement had conditions which was required to be met by the 30 October."

I actually – I should change that, I know that these conditions were not met.

MR EMMANUEL LEDIGA: Okay, a question before we leave this section. Just in terms of the forecasts for Ayo valuation and the fact that it relied a lot of BT and generally we know that PLSes are not really interrogated a lot but do you think probably that the PIC should have gone to see BTSA given the fact that, you know, there was so much based on that for the PIC to invest without seeing BTSA?

MR ABDUL MALICK-SALIE: So I believe that Victor Seanie and his team met with – or I was part of the team that met with them on the 16 November and there in that interview they'd obviously have been introduced as the BT CEO, so they very much had the view that the person present to them obviously came with the authority of BT. But in hindsight, I believe that should probably have been part of their due diligence.

MR EMMANUEL LEDIGA: So they actually should have visited BT?

MR ABDUL MALICK-SALIE: The broader BT team, yes.

MR EMMANUEL LEDIGA: The broader team, ja, okay.

MR ABDUL MALICK-SALIE: "Interim results, February 2018.

At the time of the 2018 interim audit I was not an employee nor a board member of Ayo. As stated I was appointed to the AEI board on the 22 February 2018 as the Chief Investment Officer. My responsibilities were limited and my focus was on mergers and acquisitions of AEI Limited and assisting the group companies in their investments activities. I was not responsible for financial reporting at group level. I have noted that Hardy and Nodwele allege that I was present in a meeting with Dr Survè, Abdullah and Gamaldien on the 26 April 2018. I was not present at this meeting and I am therefore unable to comment on discussions and who was present at that meeting. On the 26 April Abdullah requested that I meet him to discuss specific areas of concern he identified during his meeting with Gamaldien relating to February 2018 financial results of Ayo. Gamaldien had left for Port Elizabeth as her father had taken ill. She did, however, provide me with a draft spreadsheet in relation to the Ayo interim results on the 1 May 2018. I met Abdullah later that day at his home at which time we discussed the spreadsheet with the interim result. I noted that it reflected a profit of 50 million. I pause to mention that on the 29th Abdullah had messaged myself and Gamaldien to review the operating costs as according to him the operating profit of Ayo was too low and according to him needed to be in excess of 40 million. He wanted us to identify operating costs that could be capitalised as well as review the share-based payment charge. In an email dated the 30 April 2018 I attach hereto AS13. Abdullah reiterates that the operating profit of 29 million compared to 28 million in 2017. He stated it need to be around 40 million in the 2018 compared to the 28 million in 2017. At the meeting of the 1 May 2018 Abdullah requested that review the operating cost information and we also focused on the share-based payment charge. It is necessary to point out that this charge was recorded at a zero value in the prelisting statement. The methodology at the time of the prelisting statement was to use the value of the share base on the most recent arm's length transaction at R1.50 and the issue price was R1.50."

MR EMMANUEL LEDIGA: A question there. In terms of that share-based charges, what was the total amount?

MR ABDUL MALICK-SALIE: 11.8 million.

MR EMMANUEL LEDIGA: 11. – that's a large amount.

MR ABDUL MALICK-SALIE: Yes.

MR EMMANUEL LEDIGA: And it comes pre-tax, isn't it?

MR ABDUL MALICK-SALIE: Yes, pre-tax

MR EMMANUEL LEDIGA: It comes pre-tax so it would have reduced the post-tax profits by that particular amount.

MR ABDUL MALICK-SALIE: Yes.

MR EMMANUEL LEDIGA: Subtract the tax.

MR ABDUL MALICK-SALIE: Yes.

MR EMMANUEL LEDIGA: Okay. Alright.

MR ABDUL MALICK-SALIE: Okay. Mr Commissioner, if I can just explain. However at the time of preparing the prelisting statement one of the documents in the prelisting statement is pro forma financial information. So you take the existing financials of the entity and you go through the major transactions, one of them being the BEE consortium. So the BEE consortium was the reason for the share-based payment charge and because we had bought Kulula Technologies and Puleng Technologies around the same time the market price for those shares were 1.50 prelisting and that was used as a reference point for the BEE charge. So the BEE shares were issued at 1.50 and those previous arm's length transactions were done at 1.50, therefore the prelisting pro forma financials had a zero charge in them. So when getting to the interim results period the same methodology applies, means that the interim result should have also reflected a zero charge.

MR EMMANUEL LEDIGA: Okay, so they were not necessarily supposed to represent a charge, is that what you're ...[intervenes]

MR ABDUL MALICK-SALIE: At that time. And I explain in the next paragraph how that changes.

MR EMMANUEL LEDIGA: Later, okay.

MR ABDUL MALICK-SALIE: "Abdullah instructed that I reverse the

> share-based payment charge on the spreadsheet using the logic applied when concluding the prelisting

statement and this resulted in a profit of 62.3 million instead of 50 million. On the 3 May Abdullah presented these results to the Ayo board who then approved it. According to the minutes of the board the executives of Ayo were given the authority to amend and finalise the results if the changes required were not material. I attach the board minutes as annexure AS 14."

MS GILL MARCUS: And can I...? Just be clear, because I am not sure I am. So, in essence, it started it off that in the year before the profit was R28 million. In the current year, under consideration, it went to R29 million. With the various adjustments made, it ended up with a profit reflected above of what the board approved of R65 million?

MR ABDUL-MALICK SALIE: Yes.

MS GILL MARCUS: So, is any of the profit from R29 million to R65 million actually real or is it manipulation of numbers that give a you profit of that level, that is not substantiate – that is not really accurate?

MR ABDUL-MALICK SALIE: So, there are various processes and steps that will follow, which I will explain in the later paragraphs, and that process is still under audit review, and I think, as I have explained this Ms Commissioner, you will get a clearer picture of where we are with that at the moment.

MR EMANNUEL LEDIGA: Just another question. Who was in the Audit and Risk Committee?

MS GILL MARCUS: In the Audit and Risk Committee was the members, which was Mr Abdulla and the other names... *Ag*, I am not sure who the others are, but myself, Siphiwe and Kevin were also invitees.

<u>MR EMANNUEL LEDIGA</u>: But how big was it? Was it two people, three people?

<u>MR ABDUL-MALICK SALIE</u>: So, there is three or four people. I stand under correction and then the invitees.

<u>MR EMANNUEL LEDIGA</u>: And did it – I am sure it had sort of independent board members and all that?

<u>MR ABDUL-MALICK SALIE</u>: I think independent, but I will provide that information to Advocate Lubbe.

<u>MR EMANNUEL LEDIGA</u>: Ja, because it is a Companies Act requirement. I would guess that you would do that. Ja?

<u>MR ABDUL-MALICK SALIE</u>: Ja.

<u>MR EMANNUEL LEDIGA</u>: Okay, thank you.

<u>MR ABDUL-MALICK SALIE</u>: Yes.

> "It is necessary to point out that the board approved results were different from the results which were ultimately released to the market.
>
> In this regard, I wish to highlight the following. As explained above, the board reviewed an income statement with a profit after tax of R62,3 million.
>
> However, after the board meeting, I approached Abdulla and expressed my

concerns around the removal of the share based payment charged and pointed out that the methodology to reverse the charge needed to be reconsidered.

I advised him that I reconsidered the current available information about the AYO share value and that this needed to be factored in and that the charge needed to be reinstated.

So, this discussion, Mr Commissioner, effectively then says: We know what the prelisting methodology was, but the group's methodology is to use a discounted cash flow and not to use the latest armlength's transaction.

And at the point of reporting actuals, we would have to revert to the group police, and at that point, that R11,8 million got calculated and was reinstated back into the numbers.

"This discussion resulted in the reinstatement of the charge. As a result of what I had said, Abdulla requested that we review the cost again, as the operating cost escalation was not in line with his expectation.

Abdulla reviewed the detail costs of AYO with myself and identified certain cost to be capitalised or deferred.

He then instructed that these costs amounting to R12,2 million were to be capitalised or deferred.

He also requested that we build an analytical high level spreadsheet down to subsidiary level to justify the change made to the gross profit margin.

During the cost review, we also noted an increase in the warranty provision for an investment done in 2016.

This was, however, accounted for in the previous period at acquisition date and would overstate the value of AYO's warranty liability. This increase to the provision was reversed.

Abdulla ...[intervenes]

MR EMANNUEL LEDIGA: Come again there. Can you explain that? What is it that warrant you provisions and why are you reversing them? Ja?

MR ABDUL-MALICK SALIE: So, in paragraph 64 – in 2016, an investment was purchased by AYO called Puleng Technologies. Their warranty bullet payments were R3,1 million for each respective year that they would receive.

So, the total warranty provision gets recorded at acquisition to a total of R9 million. That is your total value, is R9 million. After one year they achieved their profits and an amount of R3 million was paid off to them in physical cash.

So, the remaining liability was about nine minus 3, R6 million, but also, because there is time to go another two years before you actually pay the next payments, in finance terms, you discount in your present value that R6 million value back.

So, the present value of that liability is about probably just over R5 million or on R5 million. What happened in the 2018 interim period was, that the Finance Team had topped up that provision with another R3,5 million.

So, taking the overall liability to about R8,2 million. So, the top up in that period went through the income statement and if you consider the initial warranty provision was R9 million and now you are topping back to R8 million and you had already made a full payment to them and you had two years left to go.

When you recalculated, that liability should not have been topped up. So, that was an entry where the workings, to my mind, are accurate.

MR EMANNUEL LEDIGA: All right. Thank you.

MR ABDUL-MALICK SALIE: Okay.

> "Abdulla also questioned the interest line as being low, but accepted the reasons provided by Gamaldien, that the monies were banked late into a high yield account, owing to a delay in the banking process. No further work was done on the interest line.
>
> The net effect of all the changes was an increase of R3,4 million, taking the profitability from R62 million to R65 million.
>
> I emailed an adjusted spreadsheet to

> Chwayita Peter, AYO Group Financial Manager on the morning of the 4th May 2018.
>
> I discussed the amendments that Abdulla had required with Gamaldien on a high level, after the board meeting and we met on the morning of the 10th May 2018, but did not get into the discussions, as unfortunately, Gamaldien received a call that her dad had passed away and she left for PE that day..."

MR EMANNUEL LEDIGA: Okay, let us just recap. So, the profits after tax were like R50 million at the beginning. They ended up being R65 million.

MR ABDUL-MALICK SALIE: Yes.

MR EMANNUEL LEDIGA: What was the difference? What contributed to that, broadly, the big...?

MR ABDUL-MALICK SALIE: So, the ...[intervenes]

MS GILL MARCUS: Sorry, sorry. I thought the profits after tax at the beginning were R29 million?

MR ABDUL-MALICK SALIE: No, the operating profit was R29 million and then the interest added onto that took it to the R50 million.

MS GILL MARCUS: Okay.

MR EMANNUEL LEDIGA: R250 million. Is it not?

MR ABDUL-MALICK SALIE: Yes.

MR EMANNUEL LEDIGA: Yes, okay. Ja. The interest part, yes. The interest portion. H'm? So, the progression then from R50 million to R65 million, what were the big contributors?

MR ABDUL-MALICK SALIE: So, effectively, it was capitalising and deferring of costs that related to about two or three projects and the reversal of the warranty provision.

MR EMANNUEL LEDIGA: Okay, All right.

MR ABDUL-MALICK SALIE:

> "Understand that in the absence of Gamaldien ...[intervenes]

MR EMANNUEL LEDIGA: Sorry, sorry. So, the warranty, we said, that could be fine and then what about the deferred costs? Were they correct?

MR ABDUL-MALICK SALIE: So, the deferred costs, and I am just trying to recall, is around the – the Sasol Project was one area and also where it opened up a subsidiary in Mauritius. All the costs were going through the income statement at that time for that Mauritian Project, but we had not yet owned that entity legally, and that was basically a project which would come to fruitions in six months' time.

MR EMANNUEL LEDIGA: Yes, so that could be deferred there? Is that what you are saying?

MR ABDUL-MALICK SALIE: Ja. However, we still, obviously, in the audit process at the moment and the Audit Team will give us a view on the whether they technically agree with all the adjustments made.

MR EMANNUEL LEDIGA: Yes, okay.

MR ABDUL-MALICK SALIE: Okay.

> "I understanding in the absence of Gamaldien, Abdulla accepted responsibility for the unaudited interim financial results and

approved the results as a member of the Audit Committee.

The final SENS was circulated, reviewed and comments were provided by the remaining Executives, Hardy and Nodwele, who ultimately approved the release on the 15th May 2018.

My role with regards to the SENS was limited to a proposed change regarding commentary on the expected performance of the year-end of the financial results, compared to the expectation of the prelisting statement.

In hindsight, I do believe more detailed work on the adjustments was needed before Abdulla approved the changes.

Subsequent work has been performed in the preparation of the present audit, which was recently requested by the JSE, due to what I believe the evidence presented by the Commission.

This process is nearing conclusion. I am advised that the work done internally for the audit, found support for certain of the procedures but I am further advised that certain areas were also identified.

The audit also identified R25 million worth of

> interest income which had been omitted from the 2018 February results, as the interest was not correctly accrued…"

MR EMANNUEL LEDIGA: So, the final figures will probably be very different than to the figures announced on SENS?

MR ABDUL-MALICK SALIE: Considering the R25 million interest income, the – it is basically interest revenue that has been excluded and should technically… Not technically. It should actually have been included. I am not sure where the final numbers will end up.

MR EMANNUEL LEDIGA: And what figures are we talking about? Is that the financial year-end to February or what? Which figures are …[intervenes]

MR ABDUL-MALICK SALIE: No, the interim numbers in question. So, what was found in the first week of the audit, is that, the interest gets banked on the first or second day of the following month and that was not taken into account because it related to the February 2018 period.

So, the profit should have been higher with that particular amount by R25 million. However, what is in question, are all the other adjustments made.

MR EMANNUEL LEDIGA: Ja. So, the figures are what? For the six months to what month?

MR ABDUL-MALICK SALIE: February 2018.

MR EMANNUEL LEDIGA: February 2018. And then you still have to have figures for the year-end now, which is what?

MR ABDUL-MALICK SALIE: So, the audited figures of February 2018, I believe, went through – and I was not part of the AYO Group at that point, but I believe that has gone through a rigorous audit process.

MR EMANNUEL LEDIGA: Okay, thank you. Let us go on.

MR ABDUL-MALICK SALIE: Okay.

> "Deals/Investments by AYO post-listing:
>
> Other than the work done in respect of the interim results period, my involvement with AYO was limited to assisting AYO with targeted acquisitions.
>
> I point out that AEEI supports all group's subsidiaries in this regard and as AYO had limited resources, the Audit Committee of AYO co-opted the AEEI Team to advise on the proposed transactions.
>
> It is necessary to point out that the deal structures presented by Nodwele, who was the CIO at the time, were not in line with what we believe to be good practice and proposed significant risk to AYO.
>
> It became clear that Nodwele was not comfortable interpreting numbers. When this was pointed out to him, he indicated that he required guidance from us regarding the interpretation of financial information.
>
> I mention this, as it has been alleged that my involvement in the acquisition process had delayed an or frustrated certain deals from

coming to fruition.

In this regard, I referred to examples of deals which illustrate why I was uncomfortable with most of the deals that he, together with Hardy, presented to AYO's Investment Committee.

Target 1:

The last offer letter, I recall, the management provided updated terms, after being discussed with Nodwele on the 19th April 2018.

Under that letter, the value of the company was set at R61,3 million, placed on 100% of the equity and shareholder claims, with R54 million being attributed to 88% which was being offered to AYO, with the management retaining 12%.

The issues and risks identified in the offer by AEEI are noted as follows:

- Intangible assets of R15 million on the balance sheet. This came about through capitalising staff and development costs. The products were not taken to market in the broad sense and had not been amortised. The process of capitalisation without amortisation, meant that the profits were on average, inflated by R3 million per year and during the build phase, including the year under review, used to set pricing. The intangible exceeding the net asset value of R11 million.

- On an average of R3 million of the debtors were past due and not impaired.

- In summary, the profits in 2017 on a sustainable basis and generated from trade was approximately R3 million, resulting in an adjusted price earnings of twenty five times…"

So, effectively, Mr Commissioner, what this would mean, is that, if AYO would to purchase this investment at R63 million, we would have to wait 25-years for this investment to pay back, if you assume that all the profits were paid out.

If you assume that certain of the profits needed to be held for growth and or stability, the 25-years would then be extended even further.

"- The AYO negotiation process initiated off and initial investment deck, where Nodwele and Hardy had agreed to an indicative price of R77 million.

- This, however, set an expectation with no view of the AFS, and as noted above, this resulted in discussions being stifled when issues had been identified by AEEI.

- Further risk identified was as follows.

- 12% of the shares were owned by two or four of the executive management, who would be retained.

- The target holding company, who were divorced from operations, agreed that during the sale, the balance of the management would be aided in taking up equity.

- Nodwele and Hardy then agreed to set up funding structures without considering potential IFRS impact of this.

- When this was raised at a later stage, it was against what the target management expected, requiring further discussion with the existing shareholder.

- AYO was in negotiations with the purchase of a sister company to the target as well. This target had related party sales of R13,1 million to the sister company, mentioned above, at an average GP of 40%. This contributed R5,2 million to the bottom line. No discount was negotiated by Nodwele or Hardy, owing to the two assets being purchased, selling to each other. Effectively, AYO would be paying twice for the same revenues. Nodwele did not understand this concept.

- The purchase consideration would have been paid once off, upfront with no warranties after the deal.

Target 2:

An offer letter, dated 22 June 2018, was prepared, where the valuation of R850 million was placed on 100% of the equity.

A deposit of R595 million, being 70% of the purchase price, would be discharged initially with the balance being paid over three years.

The issues and risks identified by AEEI are noted as follows:

- High concentration of capital.
- AYO raised R4 billion of which R1 billion was marked for BT.
- This meant that a third of the capital would be concentrated in a single segment of AYO, go to market strategy.
- The cash payback, considering estimated free cash was approximately 15-years.
- The market cap with all the assets

within the target's listed holding company is R568 million.

- The target contributed 42% of the group's total revenue. The asking price was set at R850 million for this target.
- Initial high level AEEI DD noted that the numbers presented were aggregated and not consolidated profit after tax.
- Nodwele, at this point, accepted and presented a profit after tax number of R100 million and did not understand the difference between aggregating profits and consolidated profits.
- After Dube explained this to him, she sourced the correct PAT number which were significantly lower at R77 million with eliminations in the group.

Target 3:

- The sellers were expecting a purchase price of R1.4 billion for 75% of the shares.
- They were requesting a put option which allowed them to exit after two to three years and AYO would then own 100%.
- The 100% of the value of the company would then amount to R1.9 billion.

The issues and risks identified in the offer by AYO are noted as follows:

- Concentration of capital raised would be allocated to the deal. This meant that 65% of the capital raised, would be concentrated in a single segment of the AYO go to market strategy, servicing one sector.
- The company manufactured, provisioned and distributed SIM cards. The advent of 5G- and E-Sims put the technology at risk, as noted by discussions with industry professionals.
- The cash payback considering estimated free cash was approximately 15-years.
- High concentration of sales to customers and a primary contract which would expire after three years.
- The sellers were not willing to warrant greater than 10% year-on-year growth on NPAT and would accept a maximum warranty period of two years.

I point out that the examples referred to above, could have exhausted the capital raised with high P/E multiples, long payback periods and other risks, noted above.

After the resignations of Hardy and Nodwele, Lebogang Molebatse, Victor Seanie and a broader team of PIC, summoned myself, Gamaldien, Nomvoyo Dube to explain why deals had not progressed as anticipated.

At the meeting on 16th September 2018, we presented all rejected deals by the AYO Board.

At the conclusion of the meeting, Molebatse and his team was satisfied that the deals were rejected for the right reasons and that the deals were not commercially sound.

He also requested that the processes followed to appoint Nodwele as the CIO, being investigated, as he did not possess the required skill to act as CIO, based on the deals presented by him.

He requested the PIC governance represented to engage AYO Chairman on the recruitment process, as this concerned him.

I confirm the testimony ...[intervenes]

MR EMANNUEL LEDIGA: Question. Ja, questions before you go further. When Hardy testified here, he raised a number of issues and I will just talk about two. That there was a lot of interference from AEEI in the AYO management, including delegations.

You know, that he said that even to fly out of the country, you actually had to get permission from AEEI, from Mr Abdulla. Do you have a comment on that one.

And then the second one was, Hardy and others sent a letter about corporate governance breaches. You know, and it looks like that was not acted upon and that is part of the reason that they left the company. If I can recall. I am looking at their statement here. Do you want to comment on that two questions?

MR ABDUL-MALICK SALIE: So, Mr Commissioner. Just to make it clear in terms of my position and involvement is, basically, it was prelisting as part of the AEEI Team, co-opted for those three or four days during the interim period, and then predominantly to work on the AYO deal flow process. Further than that, operationally, I had no involvement in the AYO business.

MR EMANNUEL LEDIGA: Okay. All right. You would not know the issues there?

MR ABDUL-MALICK SALIE: So, based on the testimonies and also the fact that the offices always operated on a close-knit basis, I was fully aware of the letter that was written with governance breaches, and I have heard the previous testimonies on them.

And the group does operate all its subsidiaries on the delegation or a schedule of authority, where things like travel and stuff need approval processes.

Why they were interlocked and interlinked with AEEI, where AYO is a separate business, I cannot answer.

MR EMANNUEL LEDIGA: And a separate, but listed business. It is a public company. It is a listed business. Ja?

<u>MR ABDUL-MALICK SALIE</u>: No, I agree with you there.

<u>MR EMANNUEL LEDIGA</u>: H'm. Okay. All right.

<u>MR ABDUL-MALICK SALIE</u>: Okay.

"I confirm the testimony of Gamaldien that post-listing, AYO concluded the following transactions:

- It acquired 55% of Sizwe IT Group for R165 million at a price earnings multiple of 5.7. That 5.7 based on the current projections, will probably come down to a 4 multiple.
- It acquired 40% of SAAB Grintek Technologies for R100 million. The total equity value has got a multiple of 4.
- It acquired 24% of Global Command and Control Technologies. This is a division of SAAB Grintek Defence, which is also an AEEI subsidiary that was purchased out, but effectively, that was purchased for the NAV value and it has got a price earnings of multiple of 1.
- 32% of the Vunani Group. I am not familiar with all the details on that transaction, but what I am familiar with is the 50% on the Vunani Fin Tech Fund. There, there has been an aggressive

> pipeline and about three to four deals that are close to closure in the financial services space..."

MS GILL MARCUS: Is Vunani a related party in any way?

MR ABDUL-MALICK SALIE: I believe they are, in that we own 32% or that AYO owns 32% of Vunani. Vunani also acts as the sponsors to AYO.

MR EMANNUEL LEDIGA: But they are not a tech company?

MR ABDUL-MALICK SALIE: No, they are not but the one element that they working with AYO on, is this AYO Fin Tech Fund.

MR EMANNUEL LEDIGA: Yes, but the Vunani Group is not a tech company. It is a financial services ...[intervenes]

MR ABDUL-MALICK SALIE: No, it is a financial services company.

MR EMANNUEL LEDIGA: Okay.

MR ABDUL-MALICK SALIE: Okay.

> "In conclusion:
>
> I wish to respectfully point out that the current subsidiaries and associated companies linked to AYO, are strong, cash positive and profitable businesses, with management teams that have years of experience in their respective industries.
>
> This includes, Sizwe, Puleng, Kalula, HST, DM, Afrozaar and SGT.
>
> I wish to point out that AYO currently provides employment to approximately 1400

> skilled employees.
>
> In my respectful view, the business is however in dire need of proper governance and decision making structures and relationship with the strategic shareholders, requires to be remedied on an urgent basis.
>
> Relationships with strategic investors, especially the PIC and strategic partners, such as BT, must be the starting point to rebuild AYO.
>
> Should the ...[intervenes]

ADV JANNIE LUBBE SC: Sorry. Can I interrupt you here? If I read between the lines, I hear a call for help regarding corporate governance at board level.

MR ABDUL-MALICK SALIE: Advocate Lubbe, I think you probably have to look at the previous testimonies to understand the claims and the issues around corporate governance and the breaches.

So, that paragraph, basically leads to the fact that all those types of items need to remedied, currently and in the future.

ADV JANNIE LUBBE SC: Thank you.

MR ABDUL-MALICK SALIE: Okay.

> "...and the strategic partners, such as BT, must be the starting point to rebuild AYO.
>
> Should the above listed remedies be put in place and the teams refocus their attention on the promises as set out in the prelisting

statement, it is my view that AYO will deliver shareholder value.

It must be born in mind that the promises, as set out in the prelisting statement, is that AYO is an ICT business that focus on delivering revenues and cash profits to shareholders, by providing products and services to a broad base of customers, who needed the benefit of having an empowered service provider.

On my estimation, the current existing business for a twelve month period, will deliver R3 billion in revenue and an estimated R200 million cash profit, excluding BT and excluding interest.

This, supplemented with the current acquisition pipeline and with the revitalised BT relationship and current empowerment credentials, can in my view, deliver positive shareholder value.

I am cautiously optimistic that through the work of the Commission, that part of the recommendations will result in a refocused AYO in which shareholder value is protected and the 1400 employees can retain their positions…"

MR EMANNUEL LEDIGA: Okay, let me just do the final question. Just in terms of the reputational issues that AYO has been through. Do you think those can be surmounted? Because when I asked the other people who were here, they were very – they were not sure about that.

MR ABDUL-MALICK SALIE: I think the previous testimonies, Mr Commissioner, especially from Hardy and Nodwele, was very much focused on the future view of those BT take on customers and that future looking business.

So, they were not wrong in what they said there, but what they do forget, is that, all the other subsidiaries have almost a twenty plus year life in their own.

So, there are executives there that are well known. That really understand this industry. So, the senior management and executives in all those subsidiaries also need to be taken into account.

So, if you look at those real existing cash generative businesses, they are hampered by the current AYO reputation, but obviously, as things get remedied, the hope is that they will continue to trade and operate the way they have always done and grow from there.

MR EMANNUEL LEDIGA: So, are you saying that within the subsidiaries, there could still be value, besides the holding company, as was seen with Steinhoff? You know, Steinhoff is a holding company but within the various subsidiaries, like Star, Pepkor – there could be value. Is that what you are saying?

MR ABDUL-MALICK SALIE: In my opinion, Mr Commissioner. Most definitely.

MR EMMANUEL LEDIGA: Okay.

CHAIRPERSON: Is that it Adv Lubbe?

ADV JANNIE LUBBE SC: That is the evidence Mr Commissioner.

CHAIRPERSON: Yes Mr Salie thank you very much. I don't know, you know we're investigating the PIC and alleged improprieties there, we will of course make recommendations I'm looking at the last paragraph of your statement, you are hopeful that Ayo would improve if that is the correct term, but I don't know what our recommendations will be, hopefully our recommendations about the PIC and related matters might help but there's no promise from our side. But thank you very much for your time, I know that there might have been or will be consequences in terms of the evidence that you have placed before us which is very valuable to us, it has thrown light on many aspects particularly on Ayo and I thank you, we appreciate your testimony in this regard.

MR EMMANUEL LEDIGA: I just wanted to ask do you think there could be any consequences given your testimony here?

MR ABDUL-MALICK SALIE: In terms of Mr Commissioner?

MR EMMANUEL LEDIGA: Any like recriminations, any victimisation?

MR ABDUL-MALICK SALIE: I don't think so.

CHAIRPERSON: You don't think so.

MR ABDUL-MALICK SALIE: I hope not.

CHAIRPERSON: I'm glad to hear that. I'm actually glad to hear that but as I said thank you so much. I don't know if there will be a need for us to call you back for whatever reason but if there are please make yourself available.

MR ABDUL-MALICK SALIE: I will Mr Commissioner.

CHAIRPERSON: Thank you very much.

MR ABDUL-MALICK SALIE: Thank you.

CHAIRPERSON: Alright.

ADV JANNIE LUBBE SC: Mr Commissioner that concludes the business for the day, there is one more witness this week Mr Rajdhar who will testify tomorrow on the Daybreak transaction so I request an adjournment till 10 tomorrow.

CHAIRPERSON: Yes, thank you. So the Commission will adjourn then until tomorrow morning at 10 o'clock.

INQUIRY ADJOURNS UNTIL 15 MAY 2019