

**COMMISSION OF INQUIRY OF THE PUBLIC INVESTMENT**

**CORPORATION**

**HELD AT**

**TSHWANE, PRETORIA**

10

**15 MAY 2019**

**DAY 36**

20

**PROCEEDINGS HELD ON 15 MAY 2019**

**CHAIRPERSON:** Good morning.

**ADV JANNIE LUBBE SC:** Good morning, Mr Commissioner and members. Mr Commissioner, we are ready to proceed.

**CHAIRPERSON:** What is today? The 15<sup>th</sup>?

**ADV JANNIE LUBBE SC:** 15<sup>th</sup>. We have by now a well-known witness, Mr Royith Radjar.

**CHAIRPERSON:** Yes.

**ADV JANNIE LUBBE SC:** He is ready to proceed. On his left is Thabiso Moshi Kara. He is a fund principle. He was an investment associate at the time of the transaction. He worked on the transaction and he is just here to, if there questions from the Commission, to assist the witness. My colleague, Advocate Khooe will lead the witness. Thank you, Mr Commissioner.

**CHAIRPERSON:** Mr Radjar, you know the process or procedure. Last time, you did not have any objection in taking the oath and I assume you do not this time either?

**MR ROYITH RADJAR:** I have no objection.

**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 ROYITH RADJAR:** So help me God.

**CHAIRPERSON:** Thank you very much.

**ROYITH RADJAR:** (d.s.s.)

**CHAIRPERSON:** Yes.

**ADV NKAISENG KHOOE:** Thank you, Mr Commissioner. Mr Radjar,

am I correct that you have prepared a statement for the Commission?

**CHAIRPERSON:** I think you...

**ADV NKAISENG KHOOE:** Sorry. Thank you, Commissioner. Mr Radjar, am I correct that you have prepared a statement for the Commission?

**MR ROYITH RADJAR:** Yes, I have.

**ADV NKAISENG KHOOE:** And is it correct that you were no coerced into preparing the statement?

**MR ROYITH RADJAR:** I was not coerced into preparing the statement.

**ADV NKAISENG KHOOE:** Am I correct that the evidence leader did not add anything that you did not agree with in your statement?

**MR ROYITH RADJAR:** Yes.

**ADV NKAISENG KHOOE:** Thank you. You can start at paragraph 2.

**MR ROYITH RADJAR:** Good morning. Thank you, Commissioner. I will ...[intervenes]

**ADV NKAISENG KHOOE:** Sorry, sorry. Sorry about that. Mr Commissioner, Mr Radjar is going to be testifying on the Daybreak Investment. Thank you.

**MR ROYITH RADJAR:**

“I was employed by PIC on 1 October 2009. The Executive Head Impact Investing, which was formally known as Developmental Investments.

I was a Senior Fund Principle at the time the investment was made in AFGRI Poultry which I will refer to as Daybreak.

I hold a Bachelor of Accounting Science Degree; Postgraduate Diploma in Accounting; Higher Diploma in Tax Law and a Certificate in Advance Company Law and I am a Chartered Accountant.

I have completed the RE1, RE3 and RE5 examinations with the Financial Services Compliance Authority.

On 13 March 2019, Mr Martinis Philipus De Jonge, a colleague in the Impact Investing Division testified at this Commission of Inquiry on certain aspects related to Daybreak and his alleged demotion from Senior Manager, Due Diligence and Quality Assurance to Associate Principle Social Infrastructure.

The Commission of Inquiry requested that I be called to address specific issues arising from his testimony.

I confirm that I have not been instructed, nor influenced by any members of the Commission and its investigating team in making this statement.

The Commission of Inquiry requested that I address the following matters in my statement insofar as it relates to Daybreak:

- The approval of financial support by PIC.
- The valuations of the shares.
- The financial structure of the transaction.
- Transaction costs incurred.
- Financial commitments made by PIC.
- The current status of the business.

Further, the Commission of Inquiry requested that I address the following matters in my statement which arose from Mr De Jonge's testimony:

- The financial exposure by PIC to Mr Kholofelo Maponya.
- Companies managed by PIC.
- The transfer and alleged demotion of Mr De Jonge.

I shall now proceed to my role in the transaction. Before I address the above matters, I would like to explain my role in the Daybreak transaction.

From the time of origination of this transaction until financial closure, I was Senior Fund Principle in the Developmental Investment Team, since renamed Impact Investing.

As Senior Fund Principle, I reported to the CEO of PIC. I was responsible for the

SME's, Social Infrastructure and Priorities Sectors Portfolio.

The Daybreak transaction falls within the Priorities Sectors Portfolio.

As Senior Fund Principle I would have an oversight role in the transaction, the due diligence, deal structuring, negotiations of terms and bringing the transaction to closure. It was handled by the Associate Principle and Investment Associates.

I am a non-executive member of the board of directors of Daybreak.

I was appointed a non-executive director on 11 April 2016, approximately a year after the effective date of the transaction..."

**MS JILL MARCUS:** Sorry. Before you move on. Could you just elaborate a little bit on how you see your fiduciary duties re visa vie Daybreak and the PIC, given the problems that we have had in – with other instances of board members by the PIC? How would you see your fiduciary duties?

**MR ROYITH RADJAR:** Through you, Commissioner. I would see my fiduciary duty as that to Daybreak, because my understanding is, as a director of a company, your duty of care in terms of the Companies Act - I think Section 76, if I am not mistaken – is all to the company.

So, whenever we had to look at decisions that is being taken, we had to look at it as that it is in the interest of the company. I think

that also being in the PIC it is fine balance because on the one hand, you also representing PIC's interest. So, it is a delicate balance.

**MS JILL MARCUS:** Can I ask a little bit more about this because I think it is a really important issue for the PIC. If you see something wrong and I accept the fiduciary duty is to the board that you sit on.

What is your role and how do you go about ensuring that the PIC is aware of problems? Because the duty then, is not necessarily then yours to tell the PIC, but it is yours to ensure that the PIC knows.

**MR ROYITH RADJAR:** Through you, Commissioner. Yes, it is a challenge that we have had and it – some years ago and what we have tried to do in that instance is.

I am not allowed to disclose certain information that I become aware of when I am with the company, but how we have tried to ensure that, that information close to the PIC, is to, number one, is to – we have the Post Investment Team.

So, they are entitled to go to the company and request various information. They are also entitled to come as an observer, to sit on the board.

Probably about three or four years ago, we had Professor Michael Katz to PIC to address us on this and he made some suggestions in terms of there being - where we are unable to get the information via say post-monitoring.

That we have a side agreement with the company that gives permission of a PIC nominee to disclose the information to the PIC.

**MS JILL MARCUS:** Wat that ever done?

**MR ROYITH RADJAR:** I speak under correction, but I think in the

legal division, it was handled. But to the best of my knowledge, I do not think it was done.

**MS JILL MARCUS:** Not in that instance, but even in other instances, given your role in the PIC to see that there is proper responsiveness or this advise taken. Was this discussed in the PIC at all unrelated to Daybreak as an approach?

**MR ROYITH RADJAR:** Through you, Commissioner. Yes, it was discussed and what we try to do now, is that, in the agreements which I then incorporate, that contractual obligation, to make available information to us.

As well as when there is an engagement between the post-investment team with the investee companies to provide information.

**MS JILL MARCUS:** Sorry. Can you just elaborate on try? You are the PIC and you are funding it. I would not think try is an operative word there.

**MR ROYITH RADJAR:** Yes, I think it is in cases where we have contracted certain things in the agreement, but we are talking about things maybe perhaps some – certain information that was not contracted but at a later stage we realised that we require it and that is when we would – when I say try.

It is also a legacy issues, because if we take transactions that we did prior to maybe about three or four years ago, there was nothing incorporated in the agreement.

So, in those cases, there are no obligations. And we have had instances where, particularly, in – let us say where – case in point is – a private equity fund who refuses to provide the information and they



hold us to the letter of the law, that what is in their agreement.

So, in those cases we try to engage with the client to get the information, but presently we contractually – we put it in the legal agreements.

**MS JILL MARCUS:** So, if I understand you correctly. From a fairly recent period going forward, this would be part of the agreement, but legacy might be more difficult?

**MR ROYITH RADJAR:** Yes, that is true.

**MS JILL MARCUS:** But it is definitely incorporated going forward?

**MR ROYITH RADJAR:** It is incorporated in the agreements as it stands now. The reporting requirements.

**MS JILL MARCUS:** Would you, given the experiences for instance of VBS, would you as a PIC official with responsibilities not consider your role in relation to the PIC where you see something going wrong of resigning and assuring that the PIC is aware of that and it can – it has enormous weight in any of those entities, given its investment?

I mean, it can always withdraw its investments. Sell its stake. Because governance in this matter is really crucial and the PIC has taken a position, as I understand it, to have people on the board precisely to ensure that the criteria of transformation, empowerment and governance is met. So, there is a contradiction in what happens, using the VBS example.

**MR ROYITH RADJAR:** Through you, Commissioner. I think that the issue with regards to resigning from the boards, I think it has happened in at least one instance that I know of.

But on the other hand, we also have to think about whether, if

we resign, whether we are able to protect the PIC's interest in some other way. But I do not have an answer for that, Commissioner.

**MS JILL MARCUS:** I am really more asking, whether this is a matter being discussed and assessed and there being a policy developed about problems on boards that you sit on, rather than saying, you know, in this instances there... Is this matter being discussed in the PIC and policy and approach being developed?

**MR ROYITH RADJAR:** Through you, Commissioner. Yes, it is. There is a nomination policy that is in place which I know at the moment is under review at PIC and...

In fact, at the moment, there is also a feeling that perhaps the appointees or nominees to the boards of the companies, rather be selected from a database of independent directors that is not PIC employers. That is the thinking at the moment, is to appoint independent directors.

**MS JILL MARCUS:** Is the review taking place at board level or at management level?

**MR ROYITH RADJAR:** It originates at management level and it goes to the various committees and ultimately to the Directors Affairs Committee. That is where the chairpersons of all the different committees sit and is chaired by the Chairman of the PIC.

Commissioner, if I can proceed to paragraph 17.

"The PIC was approached by Matome Maponya Investment Holdings led consortium, represented by Mr Kholofelo Maponya to acquire Daybreak from AFGRI

Holdings.

PIC, through its Private Equity, Priority Sector and Small and Investment Enterprises Investment Panel, passed a resolution on 2 April 2015, to make an investment of approximately R1.2 billion in Daybreak...”

**MS JILL MARCUS:** I am assuming this was after due diligence?

**MR ROYITH RADJAR:** Through you, Commissioner. Yes, it is after the due diligence has been done.

**MS JILL MARCUS:** And perhaps now or later, I do not mind when. You can do it later if you like. I would like to get a total of all the exposure to the MMI, but in particular around this deal, because every number you look at and every document you look at, has a different number.

And it may not be material to the PIC, but R100 million here or a R100 million there, actually is real money and I cannot work out the numbers. They are different in every document.

**MR ROYITH RADJAR:** Through you, Commissioner. In terms of the exposure to Mr Maponya, I will come to that later. But if you wish, I could deal with the differences in the numbers now.

**MS JILL MARCUS:** Which ever is convenient in your testimony and where it is appropriate. But I would like to know what was agreed. What was the amount. What was added on when you buy this. When you add that.

What was the total and whether the approvals were in fact in keeping with the original resolution or that was changed. Because I

cannot work out all the numbers. There seems to be add-ons all over.

**MR ROYITH RADJAR:** Through you, Commissioner. I will address it when I come to paragraph 43.

**MR EMANUEL LEDIGA:** Just a question, Mr Radjar. I just wanted to check. AFGRI, did the PIC actually invest in AGRI before? You know, with MMI. Just if you could clarify that.

**MR ROYITH RADJAR:** Through you, Commissioner. The PIC did invest in AFGRI through the Private Equity Division and just to give some history.

Part of that transaction included Daybreak Farms was in that transaction, but the committee at the time that approved the investment, requested that the AFGRI Poultry be either sold from that original transaction.

Or if there was a case to deal with some food security, we would consider it but not within the AFGRI portfolio. So, it was initially in the AFGRI portfolio. AFGRI Group.

**MR EMANUEL LEDIGA:** And what amount was that in terms of the investment? Do you recall? If you can recall?

**MR ROYITH RADJAR:** I can actually recall the amount here, but we can ...[intervenues]

**MS JILL MARCUS:** It is in paragraph 55. It says here... And that is why the question of what this all this adds up and to whether this is the total amount, is what I would like us to get to alter.

**MR EMANUEL LEDIGA:** O, ja. Okay. Yes.

**MS JILL MARCUS:** Because this says advanced R 367 million for the AFGRI transaction, but I do not know if that is the private equity

transaction or something else. So, we need to get that clarity.

**MR EMANNUEL LEDIGA:** Ja, I think the answer maybe... You know, then. Ja, it is fine. I think we will pick it up then. Okay?

**MR ROYITH RADJAR:** Okay.

“On the 5<sup>th</sup> May 2016, PIC approved a guarantee of R200 million in favour of AFGRI Poultry, in order for the latter to make available R200 million to Daybreak for working capital purposes...”

I should rather say AFGRI. As stated there, it is correct  
...[intervenes]

**MR EMANNUEL LEDIGA:** Yes, to AFGRI. Not poultry. Yes.

**MR ROYITH RADJAR:** Yes.

“On 20<sup>th</sup> October 2016, PIC approved a guarantee of R50 million in favour of Grocapital Financial Services, in order for the latter to make available R50 million (it should read) to Daybreak for working capital purposes.

The guarantees ...[intervenes]

**MS JILL MARCUS:** Sorry. So, in that sense, there is R250 million made available?

**MR ROYITH RADJAR:** That is true.

**MR EMANNUEL LEDIGA:** But it is a guarantee. It is not cash into the business. You are just guaranteeing that they must go and borrow money. Is that what you are saying?

**MR ROYITH RADJAR:** Yes, the guarantee is security for the facility from Grocapital Financial Services.

**MR EMANUEL LEDIGA:** Okay. All right.

**MR ROYITH RADJAR:**

“The guarantees expired towards the end of 2017, after Daybreak had fully repaid the facilities.

The purpose of the guarantees was for working capital needs and financial losses, was to prevent the company from going belly-up.

The company did not go into bankruptcy, business rescue or into any compromised with creditors at any point...”

**ADV NKAISENG KHOOE:** Sorry. Can I ask you? At the time of the reinvestment, how was the business doing?

**MR ROYITH RADJAR:** So, at the time of the – of providing those guarantees, the business was not doing well. It was making losses. The main reason for that was the prolonged drought which had an impact on grain prices.

If you take the price of soya and maize which is a significant cost in Daybreak. I think it is to account for 40% of total cost. Those shot-ups.

So, those were the main reasons for the losses. So, we had to procure a facility to fund those losses.

“On 15 December 2016, PIC approved

R250 million for recapitalisation of Daybreak...”

If I can just state. This was based on the turn around plan that was developed by a company Afrilogic.

“However, this facility was not drawn down and its validity period had expired. The facility was not drawn down because the company began to generate its own cash flows to meet its operating obligations...”

Commissioner, I shall now proceed to the issue of valuations.

**MR EMANNUEL LEDIGA:** Another... Just another question here. Why was the PIC so intent on saving this company and participating in this working capital, you know, the recapitalisation? What was the big issue there?

**MR ROYITH RADJAR:** Through you, Commissioner. Look, we still believed in the fundamentals of the business. We had recognised that the high cost... Oh, no. The input costs, at some point would rectify and we have also felt that based on the turnaround plan that we believed we could turn around the business.

Even at the inception stage when we had looked at the transaction there was at that point in time quite in-depth research that was done by the IDC which we had looked at. So, we still believed in the investment case. Hence, we looked at recapitalisation.

Commissioner, if I can move to the paragraph 24, which deal with the valuations. Before I go into the valuation of Daybreak, I would like to briefly indicate to the Commission some of the key principles

relating to the valuations of shares in a private company. Valuations ...[intervenes]

**MR EMANUEL LEDIGA:** Sorry, sorry. I am so sorry. Before we go further. Other shareholders in AFGRI were IDC, as far as I can remember, or other or AFGRI. Did they participate in this guarantees or not, and if not, why did they not participate?

**MR ROYITH RADJAR:** Through you, Commissioner. No, IDC was not involved in the transaction. In fact, except at the origination stage, when this transaction came from Mr Maponya, he had come in together with the IDC at that point in time.

But so... But what happened was that IDC could not make the deadlines in terms of what AFGRI Holdings had put in place in terms of the conclusion of the transaction.

So, what we had at that point in time, had agreed with the IDC, is that, we will proceed as PIC and they would come in later. However, that did not happen because when the time came in for PIC to sell down its position, at IDC, if I can recall, at the time felt that technically it is now breaching their mandate, because the mandate was not to do refinancing.

They can do BEE transactions. They can do expansions. They can do start-up, but.. So, that was the problem that we had. So, it ended up that PIC had been the sole funder in the transaction.

**MR EMANUEL LEDIGA:** And then the AFGRI people, you know, they had shares in that company. Did they guarantee some loans?

**MR ROYITH RADJAR:** Through you, Commissioner. No, AFGRI was bought out completely. So, AFGRI Holdings does not have – post the



acquisition – has never had shares in Daybreak.

**ADV NKAISENG KHOOE:** Before you continue with the valuations. I just need you to address something. I am not a financial person, but I would like your assistance.

Commissioner, there is blue file that we have provided to the Commission. If you can go to Part B – I mean, Part C of that bundle. There is the Funding Investment Panel Priority Sector and Small and Medium Enterprises document.

Page 12 of that document. And I like him to just read paragraphs 33 and 34, and just explain to the Commission, myself, especially, because before we get to the valuations of the shares, I would like to understand assets, liabilities and those, before we get to that.

**MR ROYITH RADJAR:** Through you, Commissioner. I will be reading paragraph 33:

“AFGRI Poultry, its total assets that are currently R1.55 billion and comprised trade receivables, biological assets, inventory, cash and net property, plant and equipment which is the biggest contributor of total assets.

Due to the technical insolvency, the PIC will put as a condition that the R1.1 billion in non-current assets be held as security.

Shareholders’ equity is -R 254 million and projected at R 311 million in 2015 but

expected to grow post-transaction from PIC.  
(I mean, from 2016.)

The effective date account shows a positive net asset value of R 67 million due to the current improvement in performance and the positive share capital account...”

**ADV NKAISENG KHOOE:** Can you explain to the Commission what – when you say the business was technically insolvent, what does that mean?

**MR ROYITH RADJAR:** Through you, Commissioner. Technical insolvency will mean that the liabilities of the company exceed its assets.

**ADV NKAISENG KHOOE:** Can you explain to the Commission why the PIC would still invest in a company that is said to be technically insolvent? I do not understand financials. So, can you just explain that?

**MR ROYITH RADJAR:** Through you, Commissioner. On insolvency, you will generally get what we refer to as technical insolvency and factual or commercial insolvency.

So, in technical, you are talking about – from an accounting point of view – like financial statements are prepared in accordance with certain accounting standards.

So, that is when you would say the liabilities exceed the assets, but you have a situation where it is... The more important part is commercial insolvency.

Is the company able to pay its debts in the ordinary course of

business? So, sometimes you could end up with a situation where a company has its liabilities exceeding its assets, but based on accounting convention, but it is still able to commercially sustain itself.

For us, in this particular transaction, we would have been looking at it on the business fundamentals, going forward, based on the research that we had, and we believed that this – that the company had prospects and that it would turnaround.

**CHAIRPERSON:** All right. Professor Katz would refer to it as business rescue.

**MR ROYITH RADJAR:** Chair, in this particular case, we did not see the need for business rescue situation, because we are the owner of the asset and the largest funder. So, it is negotiating with ourselves. So, hence, we did not see the need ...[intervenes]

**CHAIRPERSON:** No, you are absolutely correct, because a business rescue requires an administrator.

**MR ROYITH RADJAR:** Yes, that is true. And just to indicate, because there are numbers mentioned in those paragraphs. Just to mention that in valuations and we can come to that now, is that, what is the net asset value or on a balance sheet is not normally...

Well, in most cases – in ninety nine percent of the cases, it is not how the valuation of a company is determined. So, I will come to that now and I can give clarification as well.

On paragraph 25:

“Valuations are based on how much free cash flow an asset can generate in the future.”

That is the cash that is left after paying expenses, taxes and

capital expenditure. If we are using a discounted free cash flow method this is projected into the future and because R100 earned one year from now is not the same as R100 earned today, that future cash flow is discounted at a rate to bring it to today's money's worth. Today's value will be the sum of all the future cash flows that you can derive from the asset.

In other words, a R100 one year from now is worth say R90.90 today because you could earn interest of R9.10 over one year if we assume an interest rate or discount rate of 10%.

Sometimes people base the value of an asset on relative values, that is the value of similar assets using a common benchmark. For example, sometimes a company is valued at a certain multiple, say 10 times of the profits of a company.

The methods I mention in the immediate preceding two paragraphs are by far the most common methods of valuations used internationally.

These two methods were used in determining the value of the shares in Day Break which I shall now explain. During Mr de Jongh's testimony it was stated that the share's in Day Break was worth between 600 million and 800 million at the time of making the investment.

I would like to first start by explaining to the Commission of Inquiry approach followed in supporting the valuation of R1.2 billion.

In the table below is the value provided by the service provider, that is basis points capital, indicative value provided by the Industrial Development Corporation and two valuations commissioned

by the sellers, namely Investec Bank and Standard Chartered.

Investec Bank had valued the business between 1.2 billion and 1.5 billion.

Standard Chartered had valued it at between 1.1 billion and 1.4 billion.

The IDC had valued it at approximately 1.1 billion basis points had provided a range of between 1.2 and 1.4 and if you take the average of this we are talking about roughly 1.24 billion. All of the above valuations is based on projected earnings or cash flows. Inherently the risk is that the value may be misstated because of over or under estimation of earnings or cash flow.

We will accept that the Investec Bank and Standard Chartered valuations have been biased in their valuations because the valuation was done on behalf of the seller.

Therefore, we will disregard these valuations because of this risk of bias. The value of any asset is the present value of the cash flows that can be generated from that asset.

This necessarily requires a forecast to be made of such cash flows.

Inherently, as I mentioned, there's a risk of over or under-statement of the assets value as actual cash flows may vary from forecasted cash flows.

However, we now have the benefit of hindsight and we can therefore substitute actual cash flow figures in place of the forecasted cash flows at the time of making the investments.

Such an exercise will give us an indication of the fairness of

the value arrived at at the time of making the investment. Below are three different scenarios using the benefit of hindsight to test the valuation of 1.2 billion – it should read paid for Day Break shares.

One, we'll use the independent valuation model that was done by basis points capital but replace the forecast cash flows with actual cash flows. So that was one basis that we used.

The second was use a current actual offer from an arm's length third party and discount it back to when PIC made the investment rate at the same discount rate used in the independent valuation model.

Then the third exercise we had to done was to use enterprise value to EBITDA meaning earnings before interest, taxes, depreciation and amortization, multiples of nine recently concluded poultry transactions that was run internationally and apply this to the actual EBITDA numbers and thereafter deduct the actual debt.

When we perform the first – on using the first basis, the valuation of the shares in Day Break came out to R1.16 billion. When we performed the second – the exercise on the second basis, the valuation of shares in Day Break came out at R1.22 billion and then when we performed the third exercise the valuation of the shares in Day Break came up at R1.35 billion. And so if we took the average of the three valuations it comes out at R1.25 billion.

With the benefit of hindsight one can establish that the purchase price paid for the acquisition of shares in Day Break was fair and there's no evidence to suggest there was an over-valuation.

**MS GILL MARCUS:** Can I ask a slightly different question, taking that

there's no over-valuation at the time of purchase but in actual fact the entity got into real financial difficulty, so whatever the valuation was, if it had not been able to turn around in the way that it did, that would have been money under the bridge.

**MR ROYITH RADJAR**: That's true.

**MS GILL MARCUS**: Right. So the valuation is one thing and perhaps later you address the question of going-concern and risk assessment because I think that the risk assessment documents warrant a closer look as well and we will come to that in your evidence but it's – over-valuation or under-valuation is – I mean, I think that's what you've presented here, is one of aspect of it. The reality is that if you hadn't stepped in and supported subsequently with additional funds and people, all of that would have been gone.

**MR ROYITH RADJAR**: Yes.

**MR EMMANUEL LEDIGA**: Just another question here. Why do you think that Mr de Jongh felt that the valuation was between 600 to 800 million?

**MR ROYITH RADJAR**: Through you, Commissioner, it was based on the fact that at that point in time we were getting unsolicited offers coming from different parties and which was coming mainly around the 600 million rather than the 800 million. However, it's my belief that some of these valuations they were – I think there's evidence that there was collusion somewhere, but I don't want to name the parties but I think we have evidence that there was collusion – collusive behaviour in trying – parties always coming up with 600 million.

**MR EMMANUEL LEDIGA**: Come again there, sorry? Come again, so

you are saying there were people who wanted to buy the business and they were putting offers of 600 million.

**MR ROYITH RADJAR:** Yes.

**MR EMMANUEL LEDIGA:** And you say there was collusion between who and who? You don't have to mention names but just you – what did that collusion mean?

**MR ROYITH RADJAR:** Through you, Commissioner, I think that – I mean, it was known in the market that Day Break was going through tough times and, you know, when we deployed or put whatever interventions in Day Break, we did it on the basis that we wanted the company turned around, we didn't want it disposed but if we go through several instances it looked like the people who we had entrusted to turn it around was more keen on selling the business rather than turning it around.

**MR EMMANUEL LEDIGA:** So basically you are saying the people that you funded wanted to sell the business for R600 million?

**MR ROYITH RADJAR:** No, not – that's when – after we, as PIC, had basically taken over, that we had appointed service providers to assist in the turnaround of the company and I think that, through you, Commissioner, if I may, I think my colleague, Thabiso Moshikara(?) has also been requested to do a statement on more on the operating aspects of the transaction and perhaps we can cover a lot of that in that, if you'll allow me.

**MR EMMANUEL LEDIGA:** So you are saying that these amounts came through because of that unsolicited bids which were coming around but you say there was some collusion in terms of the little number, the



smaller number versus the R1.2 billion?

**MR ROYITH RADJAR**: Yes.

**MR EMMANUEL LEDIGA**: Is that what I'm hearing?

**MR ROYITH RADJAR**: Yes, that's true.

**MR EMMANUEL LEDIGA**: Okay, alright.

**MR ROYITH RADJAR**: Commissioner, I will now move to paragraph 43, dealing with the financial structure of Day Break transaction.

“The company's issued share capital was a nominal R100 with PIC holding 36 ordinary shares of R1 each. The balance of the shares was held by – it should be the FPO(?) consortium of 64 shares and the staff of 10 shares.

On 2 April 2015, PIC provided funding of approximately R1.2 billion comprising debentures of R892 million and senior debt of R300 million.”

**ADV NKAISENG KHOOE**: Sorry, Commissioner, can I please be protected from the air con? I can't even think well, it's so cold.

**CHAIRPERSON**: I suppose what we can do now is to take a short break to see what can be done. It is cold, we can also feel it. I think we'll take a break until eleven.

**ADV NKAISENG KHOOE**: Thank you, Commissioner.

**CHAIRPERSON**: In the meantime we'll ask the people

**INQUIRY ADJOURNS**

**INQUIRY RESUMES**

**CHAIRPERSON**: How does it feel, Ms Khooe, is it much better?

**ADV NKAISENG KHOOE**: It's much better, Commissioner, thank you very much.

**CHAIRPERSON:** You're welcome, thank you. Mr Radjar is still under oath, you may proceed.

**MR ROYITH RADJAR:** Commissioner, I'm on paragraph 44. On 2 April 2015, PIC provided funding of R1 192 000 000 comprising debentures of R892 million and a senior debt facility of R300 million. So if we add to that, the R10 million contribution from the sponsor, it comes up to an amount of R1.2 billion. The funds of R1.2 billion was used to purchase shares and shareholder claims from Day Break shareholder Afgri Holdings. So I'd just like to mention at this point, Commissioner, that the entire Afgri Poultry business was funded by the shareholder. So what we basically bought, we bought the shareholder, the nominal equity and the shareholder claims, that's basically what we had done with the funds. Then on 3 October 2017, PIC ...[intervenes]

**MR EMMANUEL LEDIGA:** Ja, just a question there, Mr Radjar. So the loans were they owned by Afgri or it was the banks?

**MR ROYITH RADJAR:** It was owned by Afgri.

**MR EMMANUEL LEDIGA:** Okay.

**MR ROYITH RADJAR:** So it was shareholder loans.

**MR EMMANUEL LEDIGA:** Ja, shareholder loans. Oh, okay. Alright.

**MR ROYITH RADJAR:** Yes, so if we take into account that the equity was nominal, we basically bought the shareholder loan.

**ADV NKAISENG KHOOE:** Question, there's a – if we go to F of the blue file, F of the blue file is extracts from the minutes of the private equity priority sector and small medium enterprise fund investment panel meeting held on the 2 April 2015 and if we go to paragraph 11.18 thereof, bulletproof number – not bulletproof – number 3, can you

quickly read that into the record? I have a question regarding that.

**MR ROYITH RADJAR**: Through you, Commissioner, it is:

“Risk noted the following. The issue of perceived insolvency was a concern. The numbers had to be considered. Risk had noted that with the Kinross Mill inclusion the company’s balance sheet looked healthy.”

**ADV NKAISENG KHOOE**: Now my question regarding this is without Kinross Mill would PIC still have invested in the company if that wasn’t included?

**MR ROYITH RADJAR**: Commissioner, if you would allow me, I’d like my colleague Thabiso Moshikara to answer that question.

**ADV NKAISENG KHOOE**: Through you, Commissioner, Mr Moshikara has not been sworn in so...

**CHAIRPERSON**: I think you can take advice from him and then tell us.

**MR ROYITH RADJAR**: Through you, Commissioner, the reason for the inclusion of the Kinross Mill in the transaction was that we wanted a backward integrated operation so you are in control of your feed. So what would happen if you’ve got that, you are – you’ll reduce the cost of feed instead of procuring it from somebody else where there’s a profit margin on it. Part of our agreement with Afgri is that we wanted Kinross to be part of that transaction otherwise it would have made it a bit more difficult for us to conclude – successfully conclude the transaction.

**ADV NKAISENG KHOOE**: So without the mill PIC wouldn’t have invested in this?

**MR ROYITH RADJAR**: That’s true.

**ADV NKAISENG KHOOE:** Can I also ask, I mean can we just turn to D of the same file? We have the funding investment panel risk report and I'd like him to just – D, page 10. Just both of them.

**MR ROYITH RADJAR:** Through you, Commissioner, on page 10, two risks I identified under financial risk. The first one being insolvency risk, that is a risk that the company total assets are less than its total liabilities. The risk mitigant is Mr Maponya to be operationally involved in the company providing direction and implementation of the strategy. The risk is considered to be of medium level. The financial statements reflects that the company is insolvent, incorporation of Kinross Mill in the numbers alleviates the insolvency status of the company.

The next financial risk is a financial forecast risk. That's the risk that the assumptions considered might not be reasonable. Basis points that the risk mitigant is basis points capital was appointed by the parties to provide due diligence services with respect to the proposed requisition of Afgri as part of the scope of its services, a financial due diligence report was produced. A copy of this report was provided to PIC on a reliance basis, basis points capital performed a review of the valuation by management and the reasonableness of the calculated purchase price.

The risk level is considered medium and the comments from risk that this risk is considered medium, their assumptions and methodology utilised are reasonable. At the conclusion of acquisition of Afgri Group, Afgri Poultry including the animal feed division was valued at 970 million. It is argued that an evaluation was done at acquisition of Afgri by Afgri Group. Afgri Poultry was producing 1.1

million birds per week. Currently there is an upgrade of the Delmas Abattoir to increase capacity to 1.7 million birds per week, will be in place at the effective date.

Previously the company was - individually quick frozen was 66% of total product mix which negatively affected the net sales value as it is a low quality product. This has since been reduced to increase the fresh products which will have positive impact in the net sales.

**ADV NKAISENG KHOOE:** Now my question here is, it seems as if PIC actually went at length ...[intervenes]

**CHAIRPERSON:** We find it difficult to hear you.

**ADV NKAISENG KHOOE:** Sorry. Sorry, Commissioner. It seems like PIC actually went an extra mile to try and get this deal through if you are telling me that without the Kinross Mill then PIC wouldn't have invested in this. I'm just worried – I might be wrong but earlier on you were explaining the fiduciary duty vis-à-vis – ja, that – but what I'm saying is the fiduciary duty, the PIC vis-à-vis its clients, the GPF, to invest in transactions that are going to – ja, were going to have returns on investment as opposed to being a rescue 911 place, yes. But can you just explain to the Commission what your stance is considering that without Kinross Mill PIC wouldn't have considered this transaction? Can you just explain that?

**MR ROYITH RADJAR:** Yes, Commissioner, as I mentioned is that in the poultry operations you want to be in control of your feed. One, so you are in control of your inputs, you are in control of the cost, but if we take – we wanted to have the Kinross Mill as part of the transaction in order to make it a viable transaction. Now if we look at what we

have done and now we can talk with hindsight because if we're going to look at the Day Break's, I mean the last audited accounts had EBITDA sitting at R485 million and I think a large portion of that and as I explained earlier, the feed price constitutes about 40% of the cost so it's an important cost to control and that would have contributed significantly towards us turning around the company. So I don't think – if we look at the asset, yes, when we had taken over, the asset was a distressed asset but you have to take into account that the poultry asset in Afgri Holdings was a non-co-asset, so we also saw that as an opportunity because if we take it out and make it part of someone's core business you are more likely to gain upside from it and for us, it would be better for us to buy something where there's an investment, this is where we – whether we believe in the fundamentals because you'll get it cheaper than – like let's say we had to buy it today on the basis of its current profitability, we're going to be paying over in excess of 2 billion. We've received an offer for 2 billion, so we know that's an entry price, it's – we think it's probably around about 2.4 billion, but that's what we would have been paying, so I think we've got that upside, we've made the returns on this asset. I think if we take the – within this forthcoming year and we record three years of positive EBITDA we would have fully recovered the initial investment.

**MS GILL MARCUS:** Can I raise a different question on the issue of the risk reports? If one took the risk report that was presented initially, which in that same tab is tab D, which was to the fifth – I'm trying to see the date but it doesn't seem to have a date. The essence of it is that governance, the risk was low, our concentration risk low,

experience low – these were risks identified. Insolvency medium but the company was insolvent, so I'm not quite sure how it was medium. And the only risk that was regarded as high was the single obligor limits and the reason seemed to be for all those low risks was the reliance on Maponya, his skill, his experience and his capacity. When you come one year later, all the reasons that were reasons for low are the exact reasons for high, by the same risk assessors, signed off by Mr Magula. So to me the question would be you don't go into the single obligor in the latter one, and all of the questions are now high. Maponya had been asked to resign at that point in time and leave the company whereas the precondition of the loan was that he must be actively involved in the business. The social impact is high, governance is high, industry exposure is high, industry exposure was low before. Concentration risk and board experience and management is high. So my question is, what evaluation has the PIC done on its risk assessment over entities if you can have such a reversal of the understanding of risks that are presented to a committee to approve and the risks when you actually then say but look, we're in a mess and we need more money, this is it and they're the exact opposite. What steps has the PIC taken to assess that kind of discrepancy and distortion because the only conclusion that I could draw from it is you want this deal to go through therefore Maponya becomes key to the element of staying and being active and every risk is low and then when you need to put more money in, every risk is high and he's got to leave. How much was it influenced by Maponya on then my question becomes if that's the risk around Day Break and it has altered so much

that you've had to ask Maponya to step down, whoever asked him or if he volunteered, what happens to all your other exposures on Maponya, has there been a – on MMI, have there been an assessment and a revaluation of the PIC's investments there and risk assessment and exposures? And that's why I want the exposure that you have in total to MMI.

**MR ROYITH RADJAR:** Through you, Commissioner ...[intervenes]

**MS GILL MARCUS:** Because this one you've succeeded, you've turned it around, it's making the profitability now which is great because then the PIC has recovered but the question on the others and the decision-making is the question, the validity of the decision-making, the validity of the process.

**MR ROYITH RADJAR:** Okay, through you, Commissioner, the other investment – the first investment that was made where Mr Maponya was a lead sponsor was on Afgri Holdings, that was done by the private equity division, my – that's not the – but my understanding from the transaction is it's in a different division but that the transaction is performing and if we in relation to Mr Maponya but it's reached a point where our obligation is due and so he would either have to refinance it or we will exercise our pledge on the shares but in terms of the company itself, is performing, the other entity in which ...[intervenes]

**MS GILL MARCUS:** And the exposure, exposure?

**MR ROYITH RADJAR:** Exposure...

**MS GILL MARCUS:** My understanding is 367 million.

**MR ROYITH RADJAR:** It's R367 million. Then on SA Home Loans where we had provided a loan of R480 million, this has been one of the



top performing assets in the portfolio. At this point in time Mr Maponya is looking at exiting that investment. That's the status on that.

Then on the – there's a ...[intervenes]

**MS GILL MARCUS:** Sorry, just for clarity, he is exiting, PIC is not exiting.

**MR ROYITH RADJAR:** PIC is not exiting. Commissioner then we have an investment where we've done an approval of a facility in Magae Makhya project that's involved in the affordable housing space of that approximately 79, our exposure at the moment is 79 million because it's run on a drawdown basis as and when there are projects. In this particular transaction we are in litigation with the sponsor Mr Maponya where we have basically cancelled this facility. So the matter is sitting with the legal division at the moment.

**MS GILL MARCUS:** And LA Crushers?

**MR ROYITH RADJAR:** Chair LA Crushers is not a transaction that Mr Maponya has any interest in, I think the reason we raise LA Crushers was in relation to companies which PIC had basically been controlling so I think there was a question that arose during Mr De Jonge's testimony of what companies do we manage. In that particular, ja we don't actually manage any companies but there we have an 86% shareholding, it's a company that's in distress so there we are actively involved in trying to turn around that company.

**MS GILL MARCUS:** But it's not related to MMI?

**MR ROYITH RADJAR:** No it's not related to Mr Maponya and nor is, I think during Mr De Jonge's testimony he mentioned that we had funded Mr Maponya in Razorite Healthcare Fund, that's not true. Razorite

Healthcare Fund is a fund so the only investors in there would be PIC for its own account and there's institutional investors such as Eskom Pension Fund but we have not funded Mr Maponya on that transaction.

**MS GILL MARCUS:** So what is the total exposure of the PIC to MMI and what is it in relation to Daybreak because of the different numbers that are being used so one could just get a clear picture of the total?

**MR ROYITH RADJAR:** Okay Commissioner if you could just give me a few seconds.

**MR EMMANUEL LEDIGA:** It's more like R2.130 billion somewhere there, plus 2 billion ... (intervention)

**MR ROYITH RADJAR:** It's R2.126 billion that's correct.

**MS GILL MARCUS:** (Inaudible – microphone not switched on)

**MR ROYITH RADJAR:** 126 million.

**MR EMMANUEL LEDIGA:** 2.1 billion.

**MS GILL MARCUS:** 2.1 and that which needs to be sort, are all of them giving you positive returns or being repaid depending on whether they're a loan or an investment?

**MR ROYITH RADJAR:** Yes except Magae Makhya the 79 million. We have an exposure, we've called up our facility there basically. We've cancelled the balance of the facility of approximately R200 million and we're in the process of calling up the 79 million that has been drawn.

**ADV NKAISENG KHOOE:** Another question is at the point of entering into Daybreak the further exposure I just want to find out how the other transactions were doing and was he servicing the loans or what was going on there, were they performing?

**MR ROYITH RADJAR:** Through you Commissioner the point of doing

Daybreak the transactions that would have been concluded by then would have been the R480 million loan for the purchase of 25% in SA Home Loans and then it would have been the R360 million for his purchase of shares in Afgri. At that point in time both were performing and there was no default on any of the obligations.

**MS GILL MARCUS:** How would you characterise the relationship between the PIC and MMI at the moment or the PIC and Mr Maponya?

**MR ROYITH RADJAR:** I wouldn't say it is good at the moment because we are in litigation with him.

**MS GILL MARCUS:** MMI and Maponya separately or as one entity?

**MR ROYITH RADJAR:** We look at MMI as being really Mr Maponya.

**MR EMMANUEL LEDIGA:** Just another question on SA Home Loans you are saying that he needs to exit, don't you have lock in periods you know for shareholders?

**ADV NKAISENG KHOOE:** I'm sorry to cut in, Commissioner next week Mr Radjar is going to come back and deal with SA Home Loans.

**MR EMMANUEL LEDIGA:** Oh okay alright, that's fine.

**MR ROYITH RADJAR:** Commissioner if I may proceed to the issue of fees which is paragraph 47. On 26 ... (intervention)

**MR EMMANUEL LEDIGA:** Can I just, the one question, so MMI has got about four transactions Afgri, Daybreak, SA Home Loans and Magae Makhaya I mean you know together with the other groups which we saw don't you think people feel that there's a bit of, you know they are getting their transaction funded, is it like are these people favoured or not and all that?

**MR ROYITH RADJAR:** Commissioner I can't comment on it except for I

mean now with the, during this Commission you hear about that there's people being funded multiple times and we at the moment in PIC have there's a single obligor guideline that has already been developed that's been tabled through the committees so that we can have some guidance on this so where we limit the extent to which we support a single person or grouping.

**MR EMMANUEL LEDIGA**: So you are sort of looking into that?

**MR ROYITH RADJAR**: Yes we are.

**MR EMMANUEL LEDIGA**: Okay.

**MR ROYITH RADJAR**: The document is going through the committees at the moment. Commissioner I'm on paragraph 47.

On the 26<sup>th</sup> of November 2017 PIC entered into an engagement letter with MMI as the lead sponsor of the Afpo Consortium. In terms of clause 3.2.1 of the engagement letter under the heading "Utilisation of Consultants" it states that PIC, in its assessment and evaluation of transaction, may require assistance of independent experts to assist, to advise on certain aspects of the transaction.

Clause 3.2.2 of the same engagement letter states that the sponsor shall be responsible for the payment of such fees and expenses incurred in respect of such services rendered by any such independent expert. If required such fees could be capitalised and funded out of the capital raised to fund the transaction.

In finalising the transaction and concluding the due diligence PIC had requested MMI to appoint service providers to conduct various due diligences at its own costs for the benefit of PIC, PIC and the consortium it should have read. PIC was responsible for the scoping of

the due diligence work and oversaw the selection of the service providers. This arrangement was on the understanding that should the PIC approve the investment this fees will then be paid from the approved amount and capitalised to the required funding.

At financial close PIC, Daybreak and MMI entered in a fee letter in which an arrangement was made for the company to pay all fees incurred in finalising the transaction. The fee letter agreement made an arrangement for 1% participation fee to be paid to PIC and 1% fee to MMI as MMI had carried the costs of the entire consortium including management and the staff element. In terms of the fee letters the company was to pay approximately R23.5 million to both PIC and MMI. The 23.5 ... (intervention)

**MS GILL MARCUS:** Is that each?

**MR ROYITH RADJAR:** No in total.

**MS GILL MARCUS:** The total, so it's split?

**MR ROYITH RADJAR:** Ja. Then I shall move to the financial commitments to PIC to Mr Kholofelo Maponya, some of it we have covered but I'll read it for the record.

The Commission of Inquiry requested details of commitments by PIC, whether directly or indirectly to Mr Kholofelo Maponya.

In his testimony to the Commission of Inquiry Mr De Jonge indicated that PIC funded Mr Maponya in Daybreak, Afgri Holdings, SA Home Loans and Razorite Healthcare Fund.

PIC did not fund Mr Maponya in Razorite Healthcare Fund. As far as I am aware Mr Maponya does not have a shareholding in this Fund nor in the manager of the Fund.

Mr De Jonge omitted to mention that PIC has also provided funding to Magae Makhaya Pty Limited, a company in which Mr Maponya is a controlling shareholder.

PIC advanced R367 million for the Afgri transaction. And just to clarify that was done under the private equity division or mandate. R480 million for SA Home Loans and R79 million as part of a R275 million facility in respect of Magae Makhaya. These amounts are not entirely for the benefit of Mr Maponya but total amounts in respect of consortiums in which he is the controlling shareholder.

In respect of Daybreak PIC or MMI was originally a 54% shareholder in Daybreak. However, PIC has exercised its pledge on these shares and now owns 100% of the shares in Daybreak.

**MR EMMANUEL LEDIGA:** I think you can skip the next two paragraphs.

**MR ROYITH RADJAR:** Okay.

**MR EMMANUEL LEDIGA:** Two paragraphs because we have dealt with those.

**MR ROYITH RADJAR:** Okay then Mr Commissioner I shall now move to the matter relating to Mr De Jonge's change in jobs.

In his testimony Mr De Jonge states that in November 2013 I called him to my office and informed him that the CEO, Dr Daniel Matjila, did not want him to be Senior Manager Quality Assurance Due Diligence but rather to be transferred to the deal team as Associate Principal.

He further states that when he asked me for the reasons I indicated that it was an instruction from the CEO and he was free to take this up with the CEO but a person at his age did not have much of a choice.

I have no recollection at all of this conversation. However, it is probable that his version of events may be true except that I doubt very much that the conversation would have been blunt in tone as it seems to come across. The latter reference to his age would in all likelihood have been said in a joking manner and in this regard I attach hereto an e-mail which suggests the manner in which we do correspond with each other from time to time.

However, I do not recollect Mr De Jonge expressing any dissatisfaction pursuant to his move to Associate Principal. Nor am I aware that he had lodged any grievance in this regard.

Mr De Jonge's lateral transfer from Senior Manager Quality Assurance Due Diligence on 1 February 2014 and not January 2014 as stated by Mr De Jonge was not done arbitrarily. It was pursuant to a restructure of the Private Equity and Impact Investing Divisions of PIC. In terms of the restructuring PIC management decided that these divisions were to comprise exclusively investment professionals, that is deal making staff, and all support functions within these divisions were to become part of PIC's support divisions or shared services.

Mr De Jonge was not the only employee affected by this. Four other employees were affected by this decision with them being transferred to other divisions. In all cases, their remuneration remained unchanged.

Mr Commissioner at the point of doing this statement I had forgotten to mention that myself I was also affected during that point in time and hence you will see I was then Senior Fund Principal I'd been moved from General Manager to Senior Fund Principal, I was also affected by management's decision.

Mr De Jonge's function comprised an assurance element, namely oversight of the due diligence compliance and an administrative element, relating to procurement of and liaison with external service providers. These functions were absorbed by the Fund Principals, the risk team and internal audit divisions whilst the administrative functions was taken over by the Unlisted Operations team. As a result the position of Senior Manager Quality Assurance Due Diligence would have become redundant.

Mr De Jonge has indicated during his testimony that he thought his forensic background would be better applied in his capacity as Senior Manager Quality Assurance Due Diligence as opposed to that of an Associate Principal. In order to make this determination, it is necessary to map his forensic background against that of a person his duties as Head Quality Assurance and Due Diligence and against the position of an Associate Principal.

Mr De Jonge indicated in his testimony that his job entailed the following:

- Development of a due diligence manual
- Liaise with due diligence service providers
- Ensure due diligence performed in accordance with manual

I would like to point out that he also deal with the process of compiling the Request for Proposals and being involved in the supply chain management process, monitoring the due diligence budget, processing of payments to due diligence service providers, ensuring that the due diligence was performed in accordance with the undertakings concluded with the service provider. Mr De Jonge does not perform the due



diligence but that this is done by the deal team.

The job of a forensic investigator requires the gathering of evidence to support a view or validate what is represented as being the truth. This is similar to undertaking a due diligence where the objective is to validate what it is purported to be the truth. The job of an Associate Principal is amongst others, to conduct a due diligence.

Therefore, one may conclude that the job of an Associate Principal better utilises Mr De Jonge's forensic skills background. The job of a Senior Manager of Quality Assurance Due Diligence is more administrative.

Mr De Jonge feels that the transfer of the positions in 2014 is a demotion.

I would like to highlight to the Commission that four earlier Mr De Jonge was denied a promotion for a job which entails exactly what the job of an Associate Principal does.

On 7<sup>th</sup> September ... (intervention)

**MR EMMANUEL LEDIGA:** Sorry just a question there, so when he moved from your department which department did he go to?

**MR ROYITH RADJAR:** He remained in the same department but his job was different.

**MR EMMANUEL LEDIGA:** And he was sort of reporting to you still?

**MR ROYITH RADJAR:** Through you Commissioner in the reporting at a point in time when, or if I can give some background, I think it was round about, if I remember there's a letter that the GEPF sent to us on the 3<sup>rd</sup> November 2011 where they wanted the PIC to move towards a private equity type model so the division must be structured along

those lines and that started the whole process of events that led to the restructuring. At that point in time there was a decision made that Mr De Jonge would report to the CEO so that is what's on record and he's been given a letter to that effect but in substance he's already reported to, when I was a head of division and then when later when I became Senior Fund Principal there were another two senior fund principal's he actually reported to the three of us, the substance of it. Commissioner I'm on paragraph 73.

On 7 September 2009 Ms Claire Buseti, the then General Manager of Isibaya wrote a motivation to the then Chief Investment Officer, Dr Daniel Matjila, for the promotion of Mr De Jonge because he was playing a role in deal making in addition to his role as due diligence assurance provider. On 5 October 2009 Ms Buseti again made a request to the then CEO to increase his salary as well as given the increase in scope of work including assisting deal makers in concluding deals.

This request was declined by Ms Albertinah Kekana, the then Chief Operating Officer, stating: 'Please note that in principle I am not in support of extending Tinus' role to include playing deal maker on projects'.

The request to play a role in deal-making in 2009 was seen as a promotion but the request was declined. Four years later Mr De Jonge was given this opportunity to be involved in deal-making which he sought in 2009. In addition, this deal-making role as an Associate Principal is now on an E2 grade, so meaning two grades higher than his previous position of D5.

Mr De Jonge indicated in his statement that when he joined PIC he was supposed to have a team under him. However, this did not happen. Under the role of Associate Fund Principal Mr De Jonge would have available to him a team comprising Investment Associates and Investment Analysts to assist him in the execution of the due diligence. Therefore, I feel that Mr De Jonge was not prejudiced in any way in the transfer from Senior Manager Quality Assurance Due Diligence to that of an Associate Principal.

Commissioner if I can move ... (intervention)

**MR EMMANUEL LEDIGA:** Okay ja just before you go on, in his statement Mr De Jonge says that he was told that he shouldn't report to the CEO he must report to you I think as the fund principal but he says that he felt that he couldn't question this because you know he's, at my age he says I don't have much choice I must just accept this. Did you see any change in his demeanour after that and you know what do you say about him being scared you know to raise the issues?

**MR ROYITH RADJAR:** Through you Commissioner that's why I mentioned that I don't have a recollection of the conversation because there was nothing, if it was acrimonious or anything of that sort I would remember and even if we look at Mr De Jonge there hasn't been any change in how he would ordinarily have conducted himself and the relationship that we have is like any other, it's a normal relationship so there's no, I don't sense any bitterness or animosity or anything, it's a normal relationship.

**MR EMMANUEL LEDIGA:** And do you think that he might have been scared to raise the issue with your or the CEO as he says in his

statement?

**MR ROYITH RADJAR:** I don't think Mr De Jonge is scared, I know he's quite a frank person he speaks his mind so no I don't believe that he'll be scared, no.

**MR EMMANUEL LEDIGA:** Okay thank you.

**MR ROYITH RADJAR:** Commissioner if I can move to paragraph 78 where I'm now dealing with the status of the investment in Daybreak.

The investment is performing very well having recorded two consecutive years of exceptional profits.

For the year ended 31 March 2018, the company recorded EBITDA of R485 million and for the 10 months to January it was R388 million.

**ADV NKAISENG KHOOE:** Sorry can I just ask whether the Kinross Mill still forms part of the business?

**MR ROYITH RADJAR:** Through you Commissioner, yes it does.

The R250 million to GroCapital has been fully settled. The company has been in a cash positive position for about two years.

All capital expenditure has been paid out of internally generated cash.

The company has not borrowed any further funds. The R250 million additional facility from PIC has been cancelled.

Going forward PIC will dilute its interest in the company to a non-controlling interest because the takeover of 100% was as a result of the company being in jeopardy but the idea is that it's not for an institution to run a company. Thank you Chair.

**CHAIRPERSON:** Thank you very much Mr Radjar I understand you're going to come back again next week some time. Maybe Ms Khooe has questions, do you have questions?

**ADV NKAISENG KHOOE:** No I don't Commissioner, thank you.

**CHAIRPERSON:** No questions right. There's a final question here.

**MR EMMANUEL LEDIGA:** What is the plan with Daybreak, I mean what's going to happen, is the PIC going to sell it, it's going to keep it or are the loans being repaid?

**MR ROYITH RADJAR:** Yes essentially for all intents and purposes our exposure here is equity in nature but at the moment we are in discussions with another party who is in the poultry business where we are considering a merger of the businesses yes.

**MR EMMANUEL LEDIGA:** Okay.

**CHAIRPERSON:** So you don't plan to get out completely?

**MR ROYITH RADJAR:** No there's no intention to get out completely because we still think from this investment we can have impact on an enterprise and supplier development basis given the value chain in which Daybreak operates.

**MR EMMANUEL LEDIGA:** And create a bigger group and maybe even list it on the market or something?

**MR ROYITH RADJAR:** Yes.

**CHAIRPERSON:** Alright thank you very much you're excused Mr Radjar.

**MR ROYITH RADJAR:** Thank you.

**CHAIRPERSON:** Ms Khooe is that the business for the day?

**ADV NKAISENG KHOOE:** That is the business for the day, thank you Commissioner.

**CHAIRPERSON:** Right the Commission will adjourn until Monday the 20<sup>th</sup> at 10.

**ADV NKAISENG KHOOE:** Sorry Commissioner I didn't hear that?

**CHAIRPERSON:** No I'm saying that the Commission now adjourns until Monday the 20<sup>th</sup> at 10.

**ADV NKAISENG KHOOE:** Thank you Commissioner.

**INQUIRY ADJOURNS UNTIL 20 MAY 2019**