STATEMENT TO THE PIC COMMISSION OF INQUIRY

BY DR MOHAMMED IQBAL SURVÉ

Contents

INTRODUCTION ............................................................................................................. 2
THE BACKGROUND AND CONTEXT ............................................................................ 4
   The values of the Sekunjalo Group ..................................................................... 5
   The new dawn of technology ............................................................................ 9
SAGARMATHA ......................................................................................................... 12
INDEPENDENT MEDIA ............................................................................................ 15
AYO .......................................................................................................................... 18
   Background to Ayo Technology Solutions Group ............................................ 18
   The commencement of the engagement process with the PIC ..................... 21
   The pre-listing statement and events immediately preceding the listing ......... 26
   The listing ......................................................................................................... 31
   The BT transaction ............................................................................................ 31
   The transcript .................................................................................................... 34
THE MEETINGS WITH THE PIC WITH REFERENCE TO DATE, PLACE AND PIC OFFICIALS INVOLVED .................................................................................................................... 35
WHETHER THE TOTAL AMOUNT INVESTED BY THE PIC IN AYO IS STILL AVAILABLE AND IF NOT, DETAILS OF PAYMENTS MADE WITH REFERENCE TO WHOM, ACCOUNT NUMBER, AMOUNT AND REASON FOR PAYMENT .......................................................................................................................... 35
THE APPOINTMENT OF A NEW BOARD FOR AYO ................................................... 38
CONCLUSION ............................................................................................................ 38
INTRODUCTION

1. During the week commencing 21 March 2019 Advocate Lubbe SC, the evidence leader of the Commission called upon me to deal with eight interrelated issues in respect of three legal entities. I was advised that this may be of assistance to the Commission in its deliberations. As a committed South African, I appreciate the opportunity to make my input. I point out that other than Independent Media (Pty) Ltd ("Independent Media"), of which I am the Chairperson of the Board, I do not hold any office on the Executive or otherwise in Ayo Technology Solutions Limited ("Ayo") and Sagarmatha Technologies Limited ("Sagarmatha").

2. The issues that I have been requested to deal with relate to Ayo, Independent Media and Sagarmatha in respect of the following:

2.1. The origination of every deal.

2.2. The meetings with the Public Investment Corporation Soc Limited ("PIC") with reference to date, place and PIC officials involved.

2.3. The status of the Independent Media investment.

2.4. The relevance / importance of BT in the Ayo transaction.

2.5. Whether the total amount invested by the PIC in Ayo is still available. If not, details of payments made with reference to whom, account number, amount and reason for payment.
2.6. Whether the PIC paid transaction fees with regard to Independent Media and Ayo and if so, the amounts paid, the identity of the beneficiary and how the amount was calculated.

2.7. The appointment of a new board for Ayo.

3. I will endeavour to deal with each of the matters that is of interest to the Commission and in so doing I make myself available to be interrogated by members of the Commission as well as the evidence leader and undertake to respond fullest to the best of my ability.

4. I am by training a medical doctor and in October 1997 embarked on a career as an entrepreneur. For completeness sake my biography is set out in the document which I attach hereto as marked “A”.

5. I serve as Executive Chairman of The Sekunjalo Group (“Sekunjalo” or the “Group”), with its headquarters in Cape Town. The Group has more than 200 investments across the African continent, with an intrinsic market value exceeding several billion dollars (USD). Sekunjalo is the shareholding/equity partner to a number of multinationals on the African continent including Siemens, Nokia, Saab, BT, and Coriant among others and I serve as Chairman or Deputy-Chairman on many of these companies’ boards.

6. Sekunjalo’s investment portfolio includes oil and gas, food, fishing, aquaculture, power, resources, transport and mobility, telecoms, civil security and defence, media, technology, bio-technology, healthcare & pharmaceuticals and asset management. Sekunjalo pioneers many social impact investment initiatives in

7. Prior to dealing pertinently with the issues raised by Advocate Lubbe SC in his email of 26 March 2019, I wish to deal with two distinct topics. The first relates to PIC’s role and place in the broader South African economic environment. Secondly, I will deal with the investment philosophy of the Sekunjalo Group.

THE BACKGROUND AND CONTEXT

8. The broader picture is this. A year ago the market capitalisation of some 200 companies on the Johannesburg Stock Exchange ("JSE") was R12 trillion. PIC’s investment was in the region of R1.6 trillion. I venture to suggest that companies started by black entrepreneurs that are black owned and black managed with black beneficiaries, do not have more than a few R100 billion of the total market capitalization of R12 trillion of the JSE. Thus it is well-recognised that 25 years into democracy the capital markets in South Africa have not been transformed. Black ownership and control on the JSE remains negligible. Real economic wealth still vests in white controlled and dominated companies. The result is that racial inequalities exhibited elsewhere in the South African economy, such as ownership and control of land, continue to be reproduced on the JSE.

9. Investing in businesses carries risks. Whilst the PIC’s investments in Naspers, BAT, InBev & BHP have proven successful, PIC has suffered enormous losses in the tens of billions of rands as a result of underperformance in companies such as Steinhoff, MTN, Aspen, EOH, Group Five (in liquidation) & Tiso Blackstar.
Thus, PIC's reluctance to promote and invest in black companies on the JSE which makes up less than 10% of the portfolio requires re-evaluation. I submit this demonstrates that not enough is being done by the PIC in transforming the South African economy for the greater good of the majority of its people. PIC has recently lost its investment in Steinhoff to the tune of R24 billion and this stands out because Steinhoff was always regarded as a top performing company – controlled by whites and in the main considered a leading South African brand.

The values of the Sekunjalo Group

10. The Sekunjalo Group is a private investment holding company and was founded in 1997 by a group of former political activists. The first Chairman of the Sekunjalo Development Foundation, the controlling shareholder of the group was Professor Jacks Gerwel, a former director general in the office of President Mandela and one time Vice Chancellor of the University of the Western Cape.

11. I left my career as a medical doctor to lead Sekunjalo in this very exciting period for black economic empowerment and listed on the JSE as Sekunjalo Investments Limited (today African Equity Empowerment Investments ("AEEI")). At the time with the support of corporate finance houses and bank institutions, I was one of the youngest CEOs of a diversified investment company on the JSE in May 1999.

12. Sekunjalo can be described as belonging to the first - second wave of black economic empowerment companies. This wave included prominent black companies such as NAIL, REAL, Thebe Investments, NEC, Mvelaphandama and many others. It was the time when Madiba himself spoke about the need to
transform the economy and the active role that needed to be played by entrepreneurs and professionals in the transformation of the economy. It was at this time that black businesses especially those that had been rooted in the struggle started investing with the support of institutions in companies that were listed on the JSE.

13. The model was straightforward. Black businesses lacked experience at the corporate level although there were many successful individual black businesses but not at the scale of corporate South Africa. Banks and insurance companies provided capital working with listed companies to create the mirage of black transformation of the economy. The effect was that on paper these institutions and their advisors (who benefited handsomely from these transactions) funded selected black entrepreneurs including eminent individuals such as the late Nthato Harrison Motlana (NAIL), Eric Molobi (Kagiso), Don Ncube (REAL Africa Holdings), Tokyo Sexwale (Mvelaphanda), and many others. At one point the market capitalisations of companies such as NAIL reached a high of almost R10 billion making it one of the successful black companies on the JSE. The truth however is that the effective black ownership and control of these entities was negligible. The tragic outcome is that today, NAIL, REAL & Mvelaphanda do not exist and there has been a market reduction in black companies on the JSE.

14. Further, in real terms the combined economic ownership of black people in AEEI by May 1999 was less than 10% compared to the remaining shareholding, which was held by institutions such as Sanlam, Standard Bank, Southern Life & Old Mutual.
15. Upon reflection I suggest that the model of black economic empowerment was not designed to bring about meaningful economic transformation but served as a mere entry point into the capital markets albeit in an artificial way. Over the next decade I watched as prominent companies were destroyed as a result of the share prices failing to perform, the debt structures being unsustainable to the point that today black participation in the economy remains negligible. The model of economic participation was fundamentally flawed and that led to an introspection of our own model at Sekunjalo. In our first decade like all the other black companies, we shared the same negative experiences:

15.1. Small economic interest;

15.2. High debt structures;

15.3. Inability to scale;

15.4. Dependence on Development Finance Institutions;

15.5. Dependence on government businesses or quotas;

15.6. Lack of owned equity and capital;

15.7. Monopolistic market conditions;

15.8. Imports substitution and dumping with the withdrawal of tariffs;

15.9. Highly geared structures;

15.10. Poor underlined share price performance.
16. Sekunjalo resolved to aspire and to be guided by the following policy principles:

16.1. Build an industrial company that would have ownership of the business through direct economic control.

16.2. Invest in businesses with strong cashflows.

16.3. Invest in businesses that show innovation and technology.

16.4. Invest with strong partners.

16.5. Upskill our own people to work alongside others and experienced executives.

16.6. Participate in genuine empowerment initiatives and not fronting initiatives.

16.7. Establish a Sekunjalo Leadership Forum that would support the development of black managerial talent with a specific focus on African talent.

16.8. Lift a glass ceiling for in particular black women participation in the companies. The Group employs the most black women in top positions across the country.

16.9. Build partnerships with communities and trade union groupings in all our businesses and enter into social compacts.
16.10. Reinvest our profits back into the businesses for organic growth and acquisitions.

16.11. Build acquisitions in our core competencies and adjacent businesses.

16.12. Reduce our debt levels to manageable or zero.


16.14. Partner with multinationals in order to learn how to access the African market, ensure technology transfer, skills transfer and managerial practises and to incorporate it into our own businesses.

16.15. Watching the empowerment companies implode, our strategy was to understand that it is not possible to compete in industries which are monopolistic and part of a closed economy and to rather focus on those where we have a competitive advantage where we can grow incrementally and where we can effect meaningful transformation.

The new dawn of technology

17. A specific area of focus of Sekunjalo was in technology. Genius Biotherapeutics (Pty) Ltd ("Genius") became the leading African biotechnology company in personalised medicine, cancer therapeutics utilising the body's own immune system dendritic cells and registered more than 30 global patents in these areas of immune therapy and personalised medicine. It also developed South Africa's first biogeneric plants with state-of-the-art investment. In that area the idea is that South Africa would become self-sufficient in the area of personalised medicine.
which would reduce the cost to the public in particular in the areas of prostatic cancer, breast cancer and other areas of diseases. It partnered with universities of Cape Town, Pretoria & Cardiff to research in the fields of tuberculosis, HIV Aids and cancer therapeutics utilising advanced biotechnology. It was and remains pleasing that the leading scientists and researchers were predominantly black employees. Genius is expected to be listed on an international stock exchange so that it could pursue the raising of capital in enhancing its business activities.

18. Sekunjalo has invested hundreds of millions in Genius to fund clinical research and promote its business. Some ten years after it registered its patents, the noble prize for medicine was awarded to doctors that utilised immature cells for purpose of cancer therapeutics and thereby validating our position as a leading biotechnology company in this area.

19. Sekunjalo has also invested considerably in hospital information systems, laboratory data systems and patient management and pharmaceutical module systems. It was successful in customising global software for South African, Africa and the Middle East hospitals for both the private and public sectors. Its software systems employ hundreds of people and this has seen Sekunjalo having the most effective hospital information systems adviser with almost 300 hospitals utilising its system. It continues to invest in clinical efficiency through paperless technology and other means of optimising hospital systems to reduce costs and improve patient care and patient experience.
20. In the area of aquaculture, it has invested hundreds of millions in the establishment of one of the largest aquaculture farms on the African continent to contribute towards sustainability in fishing, and a farm which is run through a solar powered system reducing the environmental footprint and making the farm one of the efficient aquaculture farms, resulting in the appointment of a significant number of marine biologists, scientists as well as communities from the impoverished rural communities of the Southern Cape.

21. These are but a few examples to Sekunjalo’s commitment in technology including investing in application software, cloud computing, banking and insurance software and consulting, digitalisation of industry, sustainable renewable energy, encryption software and many others.

22. The Sekunjalo Group is an internationally recognised technology investor. It brought about opportunity to enhance, promote and fulfil the aspiration of technological skills in South Africa and spread its application in the African continent. It has received acknowledgment by the World Economic Forum ("WEF") as one of the world's “New Champions”¹ and this gave the impetus for expanding the group into 9 different sectors, namely:

22.1. The ICT sector – AYO;

22.2. The multi-sided platform ("MSP") sector – Sagarmatha;

¹ In 2007 at the inaugural meeting of the Annual Meeting of New Champions (also known as Global Growth Companies, which are the world’s fastest growing companies), Sekunjalo was one of only five African companies out of a global elite of 125.
22.3. The Biotech sector – Genius Biotherapeutics;

22.4. The Aquaculture sector – Atlantic Abalone;

22.5. The Hospital Information Systems sector – HST;

22.6. Content management systems – The Baobab Suite;

22.7. Online video – Mojo;

22.8. Global syndication content – Africa News Agency (ANA);

22.9. E-commerce – LOOT.

23. I now proceed to deal pertinently with the issues raised by Advocate Lubbe SC. In so doing, I am mindful that the information sought from me is limited to three legal entities, namely Independent Media, Ayo and Sagarmatha. I propose to deal with the issues raised holistically by reference to the legal entity and its relevancy in this inquiry.

SAGARMATHA

24. PIC has made no financial investment in Sagarmatha.

25. In any event to allay any fears, I deal more fully with this entity, its current status and why I consider it was a missed opportunity for the PIC not to have invested in this company.
26. Sagarmatha is a company that renders a multi-sided platform (defined above as an “MSP”), which comprises technologies, services, or products that add value primarily by enabling direct interactions between two or more participating parties. Prominent examples include Uber, Airbnb, E-Bay, Amazon etc. Essentially, they serve two or more customer bases and facilitate transactions between the participating parties. One of the primary benefits to MSP companies is their scalability.

27. Sagarmatha has a proven track record of customising and developing technology platforms in media, e-commerce, classifieds and syndication content in its current business verticals. It has operated these with capital efficiency and has previously elected to limit its own growth until recent times when it applied to be listed on the Johannesburg Stock Exchange by way of a Private Placement in April 2018 ("JSE Listing").

28. Sagarmatha believes that South Africa and Africa needs its own leading MSP company to compete with multinational companies. If this does not happen, multinationals will extract all value from Africa for the benefit of Europe and the USA. South Africa is well poised to develop the continent and upskill its people.

29. The purpose of the Private Placement was to execute the vision of Sagarmatha to provide African subscribers (consumers and business) with a prime experience of digital media, e-commerce, social media and business marketplace.

30. Previously, Sagarmatha had raised capital locally through the private equity markets and has utilised this limited capital to establish its technology base which
Sagarmatha has in Silicon Cape which is an African haven for software developers. Sagarmatha has access to software providers and developers, advanced applications because of the parent company Sekunjalo Group investments in local ICT companies as well as in several multinationals operating in Africa. These multinationals are in the areas of industrial, engineering, telecommunications, ICT companies and defence and radar systems (examples include Siemens AG, Nokia and Alcatel Lucent (Nokia), British Telecoms and Saab AB) and is therefore able to execute on the strategy for the African continent. Sagarmatha has the skill set to develop its technologies and has previously developed its technologies with its own capital, but it was time for significant scaling to the global markets.

31. The vision of Sagarmatha is to provide 100 million African subscribers (consumers and business) with a prime experience of digital media, e-commerce, social media and business market place. The mission is to execute this through Sagarmatha’s 10-point-plan achieved over a period of 5 to 7 years with a billion users on the social media platform in 10 years. Sagarmatha will provide the African middle-class consumer and business person with an affordable accessible high quality integrated multisided platform experience in content, ecommerce, social media and video “Sagarmatha Peak”. Sagarmatha Peak seeks to become the branded ecommerce/media MSP company like the likes of Amazon and Alibaba in the USA and China.

32. In order to achieve its vision, significant capital is required at a low cost of capital. Sagarmatha’s initial strategy was to raise between R3 billion and R7.5 billion through the JSE Listing as a pre-cursor to a much more substantial capital raise.
on a foreign exchange. The amount raised in South Africa would be one of many funding rounds required to execute Sagarmatha’s vision.

33. We had hoped that the PIC would commit to investing R3 billion, with other investors, including foreign investors committed to investing R4.5 billion.

34. The JSE Listing was scuppered.

35. For reasons which I believe were mala fide, the CIPC raised obstacles to the listing. This unseated foreign investors and the listing on the JSE was not pursued. Sagarmatha has applied to the SARB for authorisation for the listing to be done abroad.

36. The then CEO of Sagarmatha and its previous CFO, Paul Lamontagne & Takudzwa Hove respectively, were involved in the negotiations with PIC and copies of the meetings with the PIC ought to be with the PIC secretariat. Mr Lamontagne was subsequently appointed by the Prime Minister of Canada to head the First Development Bank of Canada FINDEV. Mr Hove is currently the CFO of Sagarmatha and available to testify.

INDEPENDENT MEDIA

37. In 2012 I considered it necessary for a different narrative to reflect balance of South Africa as a country and a developing nation. I travelled to Ireland in an endeavour to persuade the Irish Independent Group to dispose of Independent News & Media plc interest in South Africa to a South African based company. At that stage there was resistance from the Irish.
38. About a year later things changed dramatically. The Irish company was experiencing financial problems in Europe, and it appeared that it was necessary to dispose of its South African interest which was then a financially viable business. It demanded approximately R4.48 billion (in today's rand terms) for its South African business namely the Argus Group, which was renamed Independent News & Media South Africa (INMSA).

39. Five bidders were shortlisted by the advisors, Investec. The Sekunjalo Consortium was however the ultimate successful entity in 2013. Its mission was to become Africa’s premium provider of quality content across all media platforms.

40. Sekunjalo had retained Citi Bank to advise on the acquisition.

41. After several months of negotiations as the successful bidder and due to the pressing financial predicament of the Irish the Sekunjalo Consortium was able to reduce the price paid to R2 billion and thereby reducing the exposure of the PIC and other investors.

42. In the end, the purchase consideration was funded by a Chinese investor, investing a billion rand, and PIC investing R850 million and Sekunjalo Consortium investing R150 million. This included the equity investment for all of the above parties.

43. The following payments were made to transaction advisers:
43.1. An approximate amount of R10 million to Webber Wentzel Attorneys; and

43.2. An amount of approximately R24 million to Citi Bank.

44. In the latter part of 2018, Sekunjalo put in a firm offer to the PIC. This meant that Sekunjalo would take on the exposure of the PIC over and above its current support of the operating cash flow needs of the business. Sekunjalo therefore went from a minimal risk position to assuming significant risk in an endeavour to help the Government Employees Pension Fund and the PIC.

45. Despite the PIC having agreed to the above, Sekunjalo has received no formal communication from the PIC since the offer despite repeated requests to the PIC; this was the position until last week when it was verbally communicated to Sekunjalo that the PIC had rejected the offer. This decision by the PIC is, once more indicative of its investment decision being driven by political motives as opposed to the genuine interests of its investors.

46. In the event that the PIC had agreed to the offer, it was Sekunjalo’s intention to have followed this initiative with a similar offer to the Chinese shareholders.

47. Since the transaction in August 2013, neither the PIC nor the Chinese have funded Independent Media. Only Sekunjalo has funded Independent for the benefit of the other shareholders including the PIC.

48. The proposed offers to the PIC and the Chinese would have resulted in a capital exposure to the Sekunjalo Group of approximately R 2,5 to R 2,8 billion over the
next five years. It is important to bring finality to the capital structure of Independent Media since the company employs 1500 people and serves an important public service.

49. It is respectfully submitted that in the circumstances, there is nothing untoward about this transaction.

AYO

Background to Ayo Technology Solutions Group

50. Ayo was previously known as Sekunjalo Technology Solutions Limited and has been in business for approximately 20 years. In 2016, it changed its name to Ayo Technology Solutions Limited in anticipation of the public listing of its shareholding on the JSE.

51. Ayo is an investment associate of African Equity Empowerment Investments Limited (AEEI), which in turn is a subsidiary of Sekunjalo Investments Holdings ("Sekunjalo"), which is part of the Sekunjalo Group.

52. Ayo is an Information and Communication Technology ("ICT") company that provides end-to-end solution to a diverse range of clients. Over the last twenty years, Ayo has become one of the foremost black empowerment ICT companies in South Africa and maintains a strong international footprint.

53. Ayo has significantly grown its business in South Africa and abroad by acquiring new businesses and forging partnerships. Further, Ayo, through its divisions, subsidiaries and partners, has strong relationships and holds key value added
reseller or supplier agreements with multinational companies such as Nokia Siemens, InterSystems Corporation, Cisco Systems, Microsoft Corporation, IBM and Riverbed Technology Inc, which provides the group with continuous access to up to date technology. Ayo has and continues to have an alliance agreement with BT Communications Services South Africa (Pty) Ltd ("British Telecoms" or "BT").

54. Ayo holds shareholdings in the following companies:

54.1. 42.5% in Saratoga Software ("Saratoga"): Saratoga (formerly known as Software Tech Holdings) holds strategic shareholding in a diverse range of specialist software and digital companies. They are, amongst others:

54.1.1. Afrozaar, a software consulting services and product development business founded in 2010 that specialises in providing scalable digital solutions to retailers, media groups and brand agencies. It has a client footprint in Africa, USA and Europe;

54.1.2. World Wide Creative, a digital transformation strategy and advisory firm with a 15-year track record that provides technology, client and change management solutions to businesses across Africa. It works with medium to large Business to Customer (B2C) and Business to Business (B2B) clients in government, retail, finance, telecommunications and the automotive industry; and
54.1.3. Digital Matter, a specialist IT company formed in 2000 that focuses on enterprise application and solution development. It is a certified Microsoft Corporation development partner and incorporates Microsoft Corporation technology as a digital platform in applications, products and solutions. These range from mobile inspection management (InspectionOne), fixed asset management (AssetAuditor), tracking solutions, as well as solutions developed for clients in mobile field service, property inspections, franchise evaluation, mobile banking and commissioning.

54.2. 100% in Health Systems Technologies ("Health Systems"): Health Systems was founded in 1980 and is a specialist provider of optimised and integrated healthcare ICT solutions with offices in Cape Town, Johannesburg, Durban and Polokwane. Its capabilities include the provision of modular and integrated healthcare information systems across all levels of care; development, implementation and training services; project management of complex and large implementations; a blend of local and international skills, expertise and products; and the provision and management of mission critical ICT infrastructure.

54.3. 51% in Headset Solutions ("Headset"): Headset was established in 1993 and is currently one of the largest importers and distributors of headsets on the African continent, with a presence in 10 African countries. It distributes two of the most notable brands within the telecommunications and consumer electronic markets, being Plantronics, which is a personal
audio communication headset designer for a wide range of devices; and
Konftel, which is one of the leading manufacturers of audio conferencing
equipment.

54.4.  **57 % in Puleng Technologies ("Puleng"):** Puleng is a proudly South
African B-BBEE Level Two ICT company that delivers product solutions
and professional services to predominantly large blue-chip
organisations.

55.  **As at 31 August 2017, prior to Ayo’s listing, it had a strong balance sheet, positive
cash flows, a consolidated group turn-over of R 470 million and a pre-tax profit
of approximately R130 million.**

56.  **Ayo and its companies and its associates employ about 1400 people, many of
whom are highly skilled ICT professionals.**

**The commencement of the engagement process with the PIC**

57.  **I am informed by the Chairperson of Ayo and the CEO of AEEI that the
engagement process with the PIC was as follows.**

58.  **The listing process for Ayo had been envisioned as part of the AEEI 5-year
strategic plan labeled Vision 2020. As explained, AEEI is a diversified investment
group has investments in various industries and sought to grow its investment
through public offerings in order to scale and create employment opportunities
for South Africa.**
59. AEEI successfully listed its fishing and aquaculture business in early 2017 and invested the capital raised in expanding its aquaculture business and acquiring other fishing companies. To date it has utilized the capital for its intended purpose and has provided its shareholders with significant operational growth, profits and dividends.

60. During 2017 and coming from a successful fishing listing, the Board of AEEI turned its focus to building and listing its IT segment. The climate in this period started to favor BEE Groups in the ICT sector. Ayo acquired excellent businesses at lower than market multiples during the 2017 period more than doubling its revenues from this. However, even though the investment structures had excellent payback periods and structures, sourcing of bank funding as an empowerment player continued to be a challenge. It was clear to achieve scale and mass, the group would have to accelerate its listing process to source capital.

61. AEEI has multinational investments where it’s been a long-standing empowerment partner, one of them being British Telecoms. BT customers were coming under pressure to procure from more black empowered ICT businesses. As time passed, one of BT’s primary customers, SASOL, had been significantly impacted by the changes to the empowerment codes and requested its 7 largest ICT providers to develop a structure that would assist them. If BT could develop a structure with a true black empowered ICT partner, not fronting, it could benefit from an extended 7-year contract being awarded at SASOL. The CEO of BT and the AEEI board representatives were advised that if BT could use a majority black-owned ICT business with black women ownership, strong track record,
broad products and services and customer base it would be a front runner as these credentials were not easily sourced in the SA ICT landscape. AEEI then presented Ayo, then Technology Solutions Limited ("TSL"), to the BT team. This was strategically beneficial for all as there were common shareholders.

62. However, Ayo would require capital to expand its offering and take over certain of BT's divisions directly. Considering how difficult it was to source bank funding with the 2017 acquisitions, the AEEI board decided with the Ayo management to accelerate the listing process. A concurrent process was taking place at BT to move away from geographical and regional focus to a global industry vertical focus. What this meant was that the top customers globally within certain industries would be focused on directly by BT, and it would partner or team local players for its smaller regional customer based. All the above then positioned AEEI and Ayo perfectly to capture much greater market share within SA. The accelerated customer take-on process of this scale would require significant capital.

63. Kevin Hardy the then BT CEO was positioned to move over to Ayo in order to drive the transitions of BT divisions to Ayo and activate the alliance agreement, the setup of which would require capital. It made sense to consolidate all ICT investments under a single company, and hence the decision for AEEI to sell its 30% investment in BT to Ayo. AEEI however had to do this for value, as BT had shown significant growth over time and was a fully paid up investment. Furthermore, Ayo would require capital to acquire the BT stake.

64. The listing would have two primary competitive advantages:
64.1. Empowered ownership and a global alliance with a multinational operating in 43 countries; and

64.2. The ability by a black empowered South African company to service large local corporates.

65. In or about August 2017, meetings took place between AEEI representatives and Ayo representatives, and BT suppliers and subcontractors who could benefit from this model becoming part of Ayo's then acquisition pipeline. This acquisition pipeline required acquisition capital.

66. The listing would also provide further accelerated growth of Ayo's existing group companies, which in itself had seen revenues double from the 2016 to 2017 period (Pre-listing), driven by its empowerment advantage.

67. In light of the capital requirements, and the need to transition and service SASOL, the AEEI board in consultation with the BT (SA) board embarked on driving an accelerated listing process to position itself to compete against the other suppliers.

68. AEEI later during the formal listing process issued a circular to seek formal shareholder approval.

69. However, prior to this, the AEEI management had engaged its major shareholders and BT global executives around the concepts and principles. This was done to seek in principle approval before expending substantial costs to list and seek overall view on the proposed model. The concept was accepted with
the view of creating shareholder value with a key driver being the creation of a broad based black owned ICT company with South Africa, as the ICT sector was one of the most poorly transformed sectors, specifically with regards to ownership.

70. The groundwork for the listing had been built overtime from the inception of the 2020 plan. Also, Ayo, previously Sekunjalo Technology Solutions and before that Sekunjalo Health Care, was already a public company and the required legalities were set in place to enable a more efficient listing. The other advantages of using this investment holding company vehicle was that it had more than 1000 external shareholders which would unlock significant value and assist Ayo in achieving JSE requirements without diluting its BEE status at listing.

71. Acquisitions to build for the Listing had also commenced in 2016 where target companies Puleng Technologies and Headset Solutions were acquired with targets noting the then upcoming changes in the BEE requirements as well AYO presenting its case for listing.

72. The listing team of advisers which were then engaged included PSG (Sponsors), Webber Wentzel and later TGR (Legal), BDO (Auditors) and AEEI (Corporate Finance advisors). The listing project set a first firm timetable on the 12 October 2017. PSG was responsible for project timelines with the full team holding a detailed consolidated meeting on a weekly basis. These meetings were held to ensure all JSE and other listing requirements were considered with PSG as the JSE liaison, keeping on constant contact with the regulator.
73. The above events and process set the platform for listing Ayo and achieving its 2020 objective as set in its 5-year strategic plan.

74. During October 2017, the first formal engagement took place between the PIC and Ayo. A meeting occurred between Ayo and the PIC led by Fidelis Madavo and other members of the Listed Equities Teams. At the meeting, Ayo discussed the formation of the largest black ICT company in the country that would target 3-5% of the market share.

75. In the period between October and November 2017, there were periodic telephonic meetings and calls between the Listed Equities Teams and the corporate finance teams of AEEI and Ayo.

76. This culminated in a detailed presentation by the AEEI Corporate Finance Team and Ayo executives on the 16 November 2017. It is understood that the following occurred at that meeting:

76.1. Ayo provided insight into its planned listing.

76.2. The input yielded positive feedback from the PIC representatives of the Portfolio Management Team for Listed Equities.

The pre-listing statement and events immediately preceding the listing

77. The final PLS that was submitted had been through several drafts before advisors, PSG, AEEI, Webbers, TGR and BDO were comfortable. The JSE also received five submissions from Ayo, the first of which was submitted to the JSE on 10 November 2017.
78. The PLS in the form ultimately adopted is attached as "B".

79. As described in section 4.2 thereof, the relationship between Ayo and BT was premised on the fact that:-

79.1. Ayo planned to subscribe for 99% of the issued shares of Kilomix Investments, which holds 30% of the issued shares of BT, post the listing; and

79.2. In addition to being an equity holder in BT, Ayo had entered into a BT Alliance Agreement, in terms of which Ayo would be one of BT’s strategic partners in South Africa.

80. The PLS further explained:

80.1. In so far as the Kilomix subscription was concerned, Ayo had concluded an AEEI MOU on 28 November 2017, in terms of which it recorded its intention to enter into a binding agreement in order subscribe for 99% of the issue share capital of Kilomix Investments for a consideration of R990 000 000 (Annexure 16).

80.2. The BT Subscription would be subject to, and conditional upon, the fulfilment or waiver of certain suspensive conditions (Annexure 16).

80.3. Kilomix Investments is an entity through which AEEI indirectly holds 30% of BT, thereby effectively acquiring a 29.7% stake in BT from AEEI for approximately R1 billion. (Note 1; Annexure 1).
80.4. In so far as the BT Alliance Agreement was concerned, Ayo concluded the BT Alliance Agreement on 12 December 2017 (Annexure 16).

80.5. The agreement was subject to the following suspensive conditions as stated therein:

80.5.1. Ayo provide written confirmation to BT that its shareholding complies with the minimum B-BBEE standards, and shall continue to comply with the minimum B-BBEE standards following the effective date of the BT Alliance Agreement and on the date following the Listing;

80.5.2. Ayo and BT agreeing on the terms upon which their products and services will be marketed to clients, which shall be regulated by a separate agreement to be concluded; and

80.5.3. Ayo and BT agreeing on the terms of a consulting frame agreement in terms of which AYO Technology may procure agreed consulting services from BT; and

80.5.4. BT and Ayo concluding an addendum to a teaming agreement in relation to a request for proposal already submitted to a prospective client.

81. As a question of fact, the suspensive conditions in relation to the BT Alliance Agreement were met, and the agreement is currently in operation.

82. The rationale for the Listing remains. In this regard, the PLS stated in section 7
thereof that the rationale for the Listing was to:

82.1. Raise capital in order to fund the rollout of the BT strategic relationship;

82.2. Raise capital in order to fund the BT Subscription;

82.3. Raise capital in order to fund Ayo’s acquisition pipeline;

82.4. Allow Ayo to use listed scrip to fund future acquisitions;

82.5. Provide Ayo’s management and employees an opportunity to acquire an equity stake in Ayo post the listing through the Ayo Technology Incentive Scheme, which will also serve as a valuable retention and incentivisation tool;

82.6. Provide Invited Investors with an opportunity to participate in the Private Placement; and

82.7. Provide Shareholders with a liquid, tradeable asset within a regulated environment and with a market-determined share price.

83. What is clear from the foregoing is that the PLS made clear that the BT agreement was subject to a range of conditions.

84. The JSE process continued subsequent to the issue of the PLS until final approval was granted on 12 December 2017.
85. The PIC placed its subscription order on 14 December 2017 midday; the consequence was that the listing would proceed on 21 December 2017. This was done on an unconditional basis by the PIC.

86. On the afternoon of 20 December 2017, and on the eve of the listing, an email from the PIC was sent to Ayo proposing conditions on Ayo as part of the subscription. I attach a copy of that email together with the minutes of the meeting of the Portfolio Management Committee (Listed Investments) as “C”. According to the minutes:

86.1. It was recorded that the PIC intended to acquire shares up to the value of R 4.3 billion (or 29% of Ayo) in the Private Placement.

86.2. It was resolved inter alia that the Committee approve the acquisition of a 29% stake in Ayo for a consideration of R 4.3 billion ahead of its listing on the JSE subject to:

86.2.1. The PIC and Ayo entering into a Put Option; to protect PIC’s clients against a share price decline.

86.2.2. A commitment that Ayo will spend the equity funds raised only on acquisitions for growth and within 24 months.

86.2.3. The Legal and ESG Teams performing a complete Due Diligence and providing feedback to the PMC-LI Committee.

86.2.4. Ayo implementing a conflict of interest policy.
86.2.5. The appointment of Independent Non-Executive Directors to the Board of Ayo.

86.2.6. Shareholder approval for all acquisitions (other than BT) that are greater in value than 10% of Ayo’s market cap.

87. It must be emphasized that the agreement was concluded on 18 December 2017. In this context, I quote from the PIC’s founding affidavit in an application before the Gauteng High Court (deposed to by Xolani Mkhwanazi – the Deputy Chairperson of the Board of the PIC) at paragraph 62, where the following appears: “With the signature of the irrevocable undertakings PIC was bound to purchase shares in Ayo, subject only to Ayo allotting shares to PIC. The allotment occurred for 99 782 655 shares, with a value of R 4 290 654,16 and was notified to PIC on 18 December 2017”. The transaction had therefore been concluded and completed at this stage. Notwithstanding the absence of there being any conditions precedent, Ayo nevertheless continued to engage with the PIC as an important strategic shareholder on a number of the new issues.

The listing

88. The listing occurred on 21 December 2017.

The BT transaction

89. At the outset, the following warrants explanation in respect of BT:
89.1. First, Kilomax Investments (Pty) Ltd (which is a subsidiary of AEEI) held a 30% stake in BT. I served on the board of BT SA (as its Chairperson) until on or about December 2018.

89.2. Second, the BT transaction entailed Ayo acquiring that 30% stake in BT from Kilomax (in effect AEEI).

89.3. Third, it had always been made clear to the PIC that Ayo’s interest in BT was two-fold, viz: (a) through an Alliance Agreement; and (b) through an acquisition stake of 30%.

89.4. Fourth, the conditions that the Alliance Agreement was subject to were met and that agreement is presently in place whereas the Acquisition Agreement was not concluded.

89.5. Fifth, the PIC was always apprised of the fact that the BT acquisition was subject to the fulfilment of certain conditions which had not been fulfilled at the time of the PIC’s subscription or the listing.

89.6. Sixth, the conclusion of the BT acquisition was never imposed as a condition of the PIC’s share subscription. Indeed, even though the PIC (through one of its committees) purported to impose conditions after the subscription had occurred, the BT transaction was not one of them.

89.7. Seventh, the conclusion of the BT acquisition was ultimately dependent on the PIC consenting to the acquisition and BT being agreeable to the
transaction and the terms thereof. The transaction did not materialize for two reasons, viz:

89.7.1. The PIC indicated a resistance to the transaction; this was conveyed to Ayo by Mr Hardy.

89.7.2. The toxic media context which arose while the BT transaction was being negotiated. What this meant is that BT became very concerned about the reputational harm that it would sustain if the transaction proceeded.

89.8. Eighth, the import and value of the BT transaction must not be exaggerated in that there was no magic to that transaction. While it would have undoubtedly have carried with it benefits for Ayo, the fact that the acquisition did not occur would not result in the inevitable failure of the Ayo listing, a decline in the value of the PIC investment or the absence of any growth in the PIC investment. Simply put, even in the absence of the BT transaction, the value of the PIC stake in Ayo had considerable potential for growth. The fact that the PIC did not insist on the BT acquisition being a condition for its share subscription gives credence to this.

89.9. Ninth, it is correct that the share value in Ayo has declined significantly; this is not on account of the BT acquisition not having occurred but the panic response of the PIC and the attendant media hype.
89.10. Tenth, there was ongoing engagement between BT and Ayo from the period before the listing until August 2018 in respect of the intended acquisition. The acquisition ultimately did not occur. There has however been ongoing engagement between the parties and I remain of the view that there is still some potential for that transaction to take place.

89.11. Finally, the fact that the BT acquisition failed was not on account of Ayo’s conduct in any way or form.

The transcript

90. Ayo was furnished with the transcript of certain meetings (by the Commission), which were unlawfully recorded without consent having been obtained from the persons who are recorded. These recordings also speak to the manifestly unethical conduct of the individuals concerned. In any event, I am able to provide limited insight into these recordings because for the most part, I was not in attendance at these meetings.

91. The transcripts are in respect of:

91.1. A board meeting that occurred on 7 August 2018 [page 2 to 25]. I did not attend this meeting.

91.2. A separate meeting after the Board meeting on 7 August 2018 as is apparent from page 25 of 25, the transcript of which runs to page 38 of 43. I attended only part of this meeting as appears from page 10 of 43 of the transcript.
91.3. A telephone call which occurred with Dr Mgqoi on 20 August 2018 (as is apparent from page 38 of 43 of the transcript). I was not present during this call.

92. As regards the portion of the meeting that I had attended I am in a position to confirm the following:

92.1. There had been a SENS announcement the previous day, a copy of which I attach as “D”, to the effect that the acquisition by Ayo of the interest AEEI was not proceeding.

92.2. Before the meeting I had spoken to Dr Metjila and Mr Madavo. They were both furious that the BT acquisition had not materialized and that the first that they had heard of it was through the SENS announcement.

92.3. The meeting therefore focused on the explanation that would be given to the PIC as regards the BT acquisition not having materialized.

THE MEETINGS WITH THE PIC WITH REFERENCE TO DATE, PLACE AND PIC OFFICIALS INVOLVED.

93. I was not a member of the executive team of AEEI nor that of Ayo. This is an aspect which the representatives of Ayo and AEEI can elaborate upon if need be.

WHETHER THE TOTAL AMOUNT INVESTED BY THE PIC IN AYO IS STILL AVAILABLE AND IF NOT, DETAILS OF PAYMENTS MADE WITH REFERENCE TO WHOM, ACCOUNT NUMBER, AMOUNT AND REASON FOR PAYMENT
94. It must be stated that the billion rand earmarked for the acquisition by Ayo of AEEI’s interest, through its subsidiary Kilomix, in BT, did not proceed. No payment was made in respect of this transaction. My attention is drawn to a letter attached to Ayo’s court papers, addressed to the PIC’s attorneys dated 4 March 2019 and marked “E” hereto, which records the information sought for herein. For present purposes, I repeat the table which appears at paragraph 6 of Annexure E containing:

94.1. Material contracts and investments;

94.2. The counter parties thereto;

94.3. The investment and expenditure in respect thereof.

<table>
<thead>
<tr>
<th>Material Contracts and Investments</th>
<th>Counterparties</th>
<th>Investments and expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>British Telecom Alliance Agreement</td>
<td>BT Communications Services South Africa (Pty) Ltd</td>
<td>R181 million to date with a maximum expenditure framework of R260 million for the 2019 financial year</td>
</tr>
<tr>
<td>Sasol/Ayo ICT Master Services Agreement</td>
<td>Sasol South Africa Ltd</td>
<td>R35 million</td>
</tr>
<tr>
<td>Sizwe acquisition</td>
<td>Alexisource (Pty) Ltd, Lexisource (Pty) Ltd, Zaisoserve (Pty) Ltd and Sizwe Africa IT Group (Pty) Ltd</td>
<td>R165 million plus advisory costs to a maximum of R 12 million</td>
</tr>
<tr>
<td>SAAB Grintek Technologies (Pty) Ltd.</td>
<td>Main Street 1653 (Pty) Ltd &amp; SAAB South Africa (Pty) Ltd</td>
<td>R100 million plus advisory fees of a maximum of R 8 million</td>
</tr>
<tr>
<td>Oasis Asset management</td>
<td>Oasis Crescent Management Company Ltd</td>
<td>R400 million</td>
</tr>
<tr>
<td>3 Laws Asset Management</td>
<td>3 Laws Capital (Pty) Ltd. Mandate terminated</td>
<td>R470 million repaid in full to Ayo</td>
</tr>
<tr>
<td>Vunani Group Investment and Fintech Fund (Fintech Fund)</td>
<td>Vunani Group (Pty) Ltd</td>
<td>R245 million</td>
</tr>
<tr>
<td>Focus on black entrepreneurs in technology to partner Ayo for ICT enterprise development</td>
<td>Cortex Logic (Pty) Ltd</td>
<td>Investment up to a maximum of a R150 million</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Listing fees as per the PLS</td>
<td>Corporate sponsors, legal fees, JSE listing fees, advisory fees and audit fees</td>
<td>R80 million</td>
</tr>
<tr>
<td>Dividends for 2018 financial year in line with dividend policy and agreed with the PIC and Tax paid</td>
<td>All shareholders of which PIC received 20% of the dividends and SARS tax</td>
<td>R155 million</td>
</tr>
<tr>
<td>Financial institutions</td>
<td>Banks</td>
<td>about R3.6 billion</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>All counterparties</strong></td>
<td><strong>Approximately R4.9 billion</strong></td>
</tr>
</tbody>
</table>

95. I am not involved in the operations of Ayo. The Chief Investment Officer Mr Malick Salie is available to deal with any aspect relating to the financials. I am advised that the interim financial statements for the sixth-month period ending 28 February 2019 may be released some time in April 2019, and can be made available to the Commission.

**WHETHER THE PIC PAID TRANSACTION FEES WITH REGARD TO INDEPENDENT MEDIA AND AYO AND IF SO, THE AMOUNTS PAID, THE IDENTITY OF THE BENEFICIARY AND HOW THE AMOUNT WAS CALCULATED**

96. The transaction fees paid by Independent Media has been dealt with above, namely some R10 million to Webber Wentzel Attorneys and R24 million to Citi Bank.

97. Ayo paid transaction fees of approximately R78 million to different service providers. This is recorded at page 41 of the PLS, which is attached as "B".
THE APPOINTMENT OF A NEW BOARD FOR AYO

98. In August 2018, a new board was reconstituted at the insistence of the PIC. The PIC nominated Adv Naoko Ramogodi former Minister of Justice, Adv Wallace Mgoqi, Dr Dennis George, and Mr Sello Rasethaba as its representatives. All of these eminent persons were accepted as board members.

99. AEEI has two representatives among the remaining six members. There are thus a further four executive directors, and two independent non-executive directors, namely Ms Rosemary Mosia and Mr Ismet Amod, respectively an accountant and an engineer.

CONCLUSION

100. The PIC made no investment in Sagarmatha. It has no financial exposure whatsoever.

101. The investment by the PIC in Independent Media was an arms length transaction. Its exposure, if any, is limited. The Sekunjalo Group has made an offer to the PIC and await formal communication.

102. The PIC's investment in Ayo, was a viable investment and remains a viable investment. The transaction with BT did not materialize because of the conduct of the PIC in being ambivalent in its position instead of supporting the finalization of the transaction. Its investment is not at risk unless PIC continues to be negative and create obstacles in the part of Ayo achieving its full potential.