

# forvis mazars

## **Sekhametsi Investment Consortium**

Final Independent Forensic Investigation Report

**forvis  
mazars**

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**Per Email**

06 August 2025

**For the attention of the Supervisory Team on behalf of Sekhametsi Investment Consortium**

**Final Forensic Investigation Report: Provision of Professional Services for Forensic Audit of Sekhametsi Investment Consortium on behalf of Sekhametsi Investment Consortium**

Sekhametsi Investment Consortium (“**SMIC**”) requested Forvis Mazars Forensic Services (Pty) Ltd (“**Forvis Mazars**”), to conduct a forensic audit.

Please refer to our report included in this letter.

This investigation was attended to by Jerome Adams supported by Tebogo Sealanyane, Dinéy Mphugana and other team members.

This letter contains confidential and proprietary information, which neither you nor any of your representatives may disclose to third parties without prior discussions with Forvis Mazars.

Should you require any further information regarding this letter, please feel free to contact Keeran Madhav at +27 011 547 1090 or [Keeran.Madhav@forvismazars.com](mailto:Keeran.Madhav@forvismazars.com).

Yours faithfully



**Keeran Madhav**  
**Director**

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## Abbreviations

### A. Companies / Entities

Abbreviation	Description
AET	Afri Expo Textiles (Pty) Ltd
CIA	Cann Invest Africa (Pty) Ltd
IDM	Institute of Development Management
Inani	Inani Valuers
KTM	Khatleli Tomane Moteane Architects
MGC	Matekane Group of Companies (Pty) Ltd
MGC Properties	MGC Properties (Pty) Ltd
Selemo Capital	Selemo Capital / Selemo Holdings
SMIC	Sekhametsi Investment Consortium Ltd
VDI	Verve Dynamics Incorporated (Pty) Ltd
Vodacom	Vodacom Lesotho

### B. Individuals

Abbreviation	Description
Mr Green	Mr Thuso Green, Former Director, SMIC
Mrs Kobeli	Mrs Mabokang Kobeli, Director, AET
Mr Kobeli	Mr Teboho Kobeli, Managing Director and Owner, AET
Mr Kotelo	Mr Palo Kotelo, Former Board member, SMIC
Mr Lebete	Mr Leboela Lebete, Former SMIC Bord Member and Former Chief Executive Officer at SMIC
Adv Maema	Advocate Limpho Maema: Former SMIC Board member
Ms Mahamo	Ms Boitumelo, Assistant Accountant, SMIC
Mr Makhate	Mr Leabua Makhate, active Board Member, SMIC
Mr Matekane	Mr Sam Matekane, Director of Matekane Group of Companies
Mr Makeka	Mr Tsokolo Makeka, Director, Creative Lab
Ms Mojaje	Ms Mmamolise Mojaje, Former Employee, KTM
Dr Monyamane	Dr Sasha Monyamane, Active Board Member, SMIC
Mr Matsaba	Mr Thabo Simon Matsaba, Accountant, SMIC
Mr Mohapeloane	Mr Mohapelo Mohapeloane, Active Board Member, SMIC
Mr Moteane	Mr Matjato Neo Moteane, Former Board Member, SMIC
Mr Mphafi	Mr Lenka Mphafi, Director, AET
Mr Nhlapho	Mr Theodore Nhlapho, Shareholder, SMIC
Mr Ntabe	Mr Ts'elliso Ntabe, active Board Member, SMIC
Mr Putsoane	Mr Putsoane, Sekhametsi Properties Chairman
Mr Seeiso	Mr Lerotholi Seeiso, Former Board member, SMIC
Mr Selikane	Mr Selikane Selikane, Active Board Member, SMIC
Ms Thamae	Ms Lintle Thamae, Former Board member, SMIC

### C. Terms

Abbreviation	Description
AGM	Annual General Meeting
CEO	Chief Executive Officer
Email	Electronic mail
Etc.	Etcetera
Ltd	Limited
M /LSL	The Lesotho Maloti (LSL) is the official currency of the Kingdom of Lesotho

Abbreviation	Description
n/a	Not applicable
No	Number
PDF	Portable Document Format
Word	Microsoft Word Document

### Schedule of Exhibits

All references to Annexures relate to summaries, schedules, spreadsheets or information created by Forvis Mazars.

All references to Exhibits relate to third-party evidentiary documentation obtained and not created by Forvis.

This report should be read in conjunction with the Exhibits and Annexures which are footnoted throughout the report for ease of reference. The information and documentation included in this report as exhibits have been converted from the original to portable document format (“**PDF**”). In some cases, this has required the original to be reduced in size or other minor modifications to the original. Refer to the below tables for the schedule of Exhibits and Annexures.

#### D. Annexures

Annexure Number	Description
<b>Annexure A, B and C</b>	Forvis Mazars website extractions in respect of the 2020 Dubai Expo

#### E. Exhibits

Exhibit Number	Exhibit Description
<b>Exhibit 1</b>	Email correspondence with Mr Molise Ramaili
<b>Exhibit 2</b>	Email correspondence with Lebohang Khomari
<b>Exhibit 3</b>	Email correspondence with Palo Kotelo (1)
<b>Exhibit 4</b>	Email correspondence with Palo Kotelo (2)
<b>Exhibit 5</b>	Email correspondence with Lerotholi Seeiso (1)
<b>Exhibit 6</b>	Email correspondence with Lerotholi Seeiso (2)
<b>Exhibit 7</b>	Email correspondence with Limphe Maema (1)
<b>Exhibit 8</b>	Email correspondence with Limphe Maema (2)
<b>Exhibit 9</b>	Email correspondence with Tiisetso Sello Mafatle (1)
<b>Exhibit 10</b>	Email correspondence with Tiisetso Sello Mafatle (2)

Exhibit Number	Exhibit Description
Exhibit 11	Email correspondence with Hatla Ntene
Exhibit 12	Copy of Lesotho Companies Act 18 of 2011
Exhibit 13	Copy of resignation letter of Mr Lebete, 12 September 2024
Exhibit 14	Copy of Mr Thuso Green's letter of resignation dated 31 March 2023
Exhibit 15	Copy of minutes of SMIC Special Board meeting, dated 30 September 2021
Exhibit 16	Copy of undated Sekhametsi Investment Consortium Board Corporate Governance Charter
Exhibit 17	Copy of letter from LNDC to Mr Moteane dated 21 October 2021
Exhibit 18	SMIC Standard Bank statements (Account number 9080001356689)
Exhibit 19	Copy of SMIC 2022 Annual Financial Statements
Exhibit 20	Refer to Forvis Mazars Annexures A, B and C
Exhibit 21	Copy of Mr Lebete's itinerary
Exhibit 22	SMIC board minutes dated 06 February 2021
Exhibit 23	Creative Lab Business Extract 16 May 2022
Exhibit 24	Creative Lab Business Extract 01 September 2024
Exhibit 25	Copy of Creative Lab invoice dated 12 October 2021
Exhibit 26	AYAB Dubai Expo Invoice in USD dated 08 October 2021
Exhibit 27	Copy of email dated 13 October 2021 from Mr Makeka to Standard Lesotho Bank
Exhibit 28	AYAB Proof of Payment
Exhibit 29	Screenshot of Dubai accommodation booking received from Mr Makeka
Exhibit 30	Copy of undated Microsoft worksheet
Exhibit 31	Lesotho Government Gazette (Legal Notice No. 48 of 2023)
Exhibit 32	SMIC conditional offer to VDI dated 30 November 2021
Exhibit 33	SMIC Standard Bank statements (Account number 9080001356689) for the period 03 April 2018 to 31 March 2014
Exhibit 34	Copy of board meeting minutes 25 March 2022
Exhibit 35	SMIC 2021 Annual Financial Statement report
Exhibit 36	Copy of Discounted Cash Flow Valuation model
Exhibit 37	Copy of valuation report prepared by Inani Valuers dated 02 January 2021

Exhibit Number	Exhibit Description
<b>Exhibit 38</b>	Copy of email from Mr Fanana to SMIC delegation dated 23 December 2021
<b>Exhibit 39</b>	Copies of redacted schedule of potential customers and off take agreements
<b>Exhibit 40</b>	Copy of VDI Due Diligence Report dated March 2022
<b>Exhibit 41</b>	Copy of SMIC Board minutes dated 25 March 2022
<b>Exhibit 42</b>	Copy of SMIC Board resolution 04/2022
<b>Exhibit 43</b>	Undated VDI presentation
<b>Exhibit 44</b>	Copy of undated document outlining VDI shareholders' loans
<b>Exhibit 45</b>	Copy of Shareholders Agreement signed 16 May 2022
<b>Exhibit 46</b>	Copy of Subscription Agreement dated 16 May 2022
<b>Exhibit 47</b>	Copy of unsigned letter from SMIC to Lesotho Pension Fund dated 06 December 2021
<b>Exhibit 48</b>	Copy of letter from Pension Fund to SMIC dated 3 March 2022
<b>Exhibit 49</b>	Copy of letter from Nedbank to SMIC dated 13 July 2022
<b>Exhibit 50</b>	Copy of letter from Nedbank Lesotho approving loan of M15million
<b>Exhibit 51</b>	Copy of email from Mr Matsaba to Forvis Mazars dated 26 February 2025
<b>Exhibit 52</b>	Copy of email from Richard Davies (VDI) to Mr Lebete dated 08 September 2022
<b>Exhibit 53</b>	Copy of email from Limpho Maema to the SMIC Board of Directors dated 08 September 2022
<b>Exhibit 54</b>	Copy of record of proceedings SMIC board of directors induction, strategy and planning session held at Botleng Guest House, 16 to 18 september 2022
<b>Exhibit 55</b>	Copy of SMIC loan application letter dated 19 September 2022
<b>Exhibit 56</b>	Copy of email correspondence between Sekhametsi Properties and SMIC
<b>Exhibit 57</b>	Copy of email from Mr Lebete to SMIC board apologising for effecting payment to VDI
<b>Exhibit 58</b>	Copy of Afri Expo Recapitalisation Strategy PowerPoint Presentation
<b>Exhibit 59</b>	Copy of SMIC Minutes 17.07.2018 Board Remuneration
<b>Exhibit 60</b>	Copy of AET File
<b>Exhibit 61</b>	Copy of Letter from SMIC to AET dated 17 December 2019
<b>Exhibit 62</b>	Copy of Letter dated 06 January 2020 from AET to SMIC
<b>Exhibit 63</b>	Copy of SMIC Minutes of the Special Board Meeting dated 29 January 2020

Exhibit Number	Exhibit Description
<b>Exhibit 64</b>	A copy of signed Shareholders Agreement dated 28 February 2020
<b>Exhibit 65</b>	New Dawn Chartered Accountants management letter dated 23 February 2021
<b>Exhibit 66</b>	Copy of Power of Attorney to pass transfer of Star Lion Group
<b>Exhibit 67</b>	Copy of Deed of Transfer document
<b>Exhibit 68</b>	Moroa Property Investments invoice dated 17 May 2017
<b>Exhibit 69</b>	Copy of email from Ms Mojaje to various recipients dated 03 May 2018
<b>Exhibit 70</b>	Excel spreadsheet detailing the service providers
<b>Exhibit 71</b>	Copy of Aurecon (Mechanical Engineer) PROCSA
<b>Exhibit 72</b>	Copy of Aurecon (Structural Engineer) PROCSA
<b>Exhibit 73</b>	Copy of Aurecon (Electrical Engineer) PROCSA
<b>Exhibit 74</b>	Copy of EFS Construction PROCSA
<b>Exhibit 75</b>	Copy of KTM PROCSA
<b>Exhibit 76</b>	Copy of Multi Nodal Development PROCSA
<b>Exhibit 77</b>	Copy of Mvua Property Partners PROCSA
<b>Exhibit 78</b>	Copy of Scope Matrix PROCSA
<b>Exhibit 79</b>	Copy of Board Resolution ceding Mvua Properties Partners to Moroa Properties dated 16 June 2018
<b>Exhibit 80</b>	Aurecon Invoices in respect of Sekhametsi Place
<b>Exhibit 81</b>	EFS Construction invoices in respect of Sekhametsi Place
<b>Exhibit 82</b>	KTM invoices in respect of Sekhametsi Place
<b>Exhibit 83</b>	Mora Property Investments invoices in respect of Sekhametsi Place
<b>Exhibit 84</b>	Multi Nodal Development Consultants invoices in respect of Sekhametsi Place
<b>Exhibit 85</b>	Ntsihlele Land Surveyors invoice in respect of Sekhametsi Place
<b>Exhibit 86</b>	Scope Matrix invoices in respect of Sekhametsi Place
<b>Exhibit 87</b>	Copy of board meeting minutes held on 06 February 2021
<b>Exhibit 88</b>	Copy of unsigned Terms of Reference in respect of Sekhametsi Place
<b>Exhibit 89</b>	Grading Report by IDM dated 02 December 2021 in respect of Sekhametsi Place
<b>Exhibit 90</b>	Copy of Proposal by DAC
<b>Exhibit 91</b>	Copy of Proposal submitted by Mandarin Advisor

Exhibit Number	Exhibit Description
<b>Exhibit 92</b>	Copy of Proposal submitted by IDM
<b>Exhibit 93</b>	Copy of unsigned evaluation report by DAC
<b>Exhibit 94</b>	Copy of SMIC minutes of The Special Board Meeting held on 30 September 2021
<b>Exhibit 95</b>	Copy of report by IDM dated 11 February 2022
<b>Exhibit 96</b>	Email correspondence between Mr Fanana, and Mr Lebete dated 23 December 2021
<b>Exhibit 97</b>	Forvis Mazars Digital Forensics HTML report

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## **1. Background and Scope**

- 1.1. We understood from the terms of reference issued by SMIC and the subsequent negotiation discussions which took place on 23 July 2024 that SMIC required Forvis Mazars to perform a forensic audit focusing on the following key matters:

### Stream 1

- 1.1.1. Review of all processes followed in respect of SMIC's investment in Verve Dynamics Incorporated ("VDI") and identification of any anomalies; and
- 1.1.2. Review all processes followed in respect of SMIC's investment in Afri Expo Textile (Pty) Ltd ("AET") and identification of any anomalies.

### Stream 2

- 1.1.3. Review all procurement processes followed in the appointment of contractors and service providers appointed by SMIC in the construction and/or refurbishment of:
- 1.1.3.1. Sekhametsi Place; and
- 1.1.3.2. Vodacom Park Building.
- 1.1.4. Review all recruitment processes followed in the appointment of the CEO.

### Stream 3

- 1.1.5. Review all Sekhametsi Enterprises transactions relating to payment of dividends to determine any irregular payments and/or suspicious transactions.

## **2. Limitations & Qualifications**

- 2.1. Our report is subject to the following limitations and qualifications:
- 2.1.1. This report has been prepared solely for the use of SMIC. As such, it should not be disclosed to any other party without our prior written consent, which we may, at our discretion withhold or give subject to conditions. It shall be a condition of such consent if given, that Forvis Mazars accepts no responsibility to that third party and that any such third party will hold Forvis Mazars harmless in respect of any consequences of such disclosure. Whether or not we have given our consent, we will not accept liability or responsibility to any other party who may gain access to this report.
- 2.1.2. We were not required to, nor did we undertake an audit or review in terms of the International Standards on Auditing or International Standards on Review Engagements; consequently, no assurance is expressed.

- 2.1.3. We do not express any legal opinion in this document, nor should anything stated herein be regarded as such.
- 2.1.4. Where we have had to review and/or analyse any documentation in the context of this assignment, we have reviewed and/or analysed documentation with which we have been provided and/or which we have obtained and, unless the contrary is stated in this report, we have not performed any procedures to verify and/or authenticate any such documentation.
- 2.1.5. We cannot give any undertaking concerning the accuracy and correctness of the information contained on public databases as we do not control this information. However, we have taken every effort to verify such data.
- 2.1.6. This report contains and refers to hearsay evidence based on interviews conducted with individuals. We have deemed it necessary to include this evidence to provide context to the findings.
- 2.1.7. Our work is based on the documents provided and discussions with SMIC and its representatives, consultants, service providers or advisors that may have had information relevant to our investigation.
- 2.1.8. The findings contained herein are based on the work performed at the date of this report. We cannot confirm the completeness of such information as the potential exists that not all relevant information and documentation was made available to us. Any information or documentation brought to our attention after the date of this report which will affect the findings detailed herein will require our findings to be adjusted or qualified accordingly.
- 2.1.9. Information contained in block brackets has been assumed with reference to the context in which the information is contained, and information gathered from the full investigation.
- 2.1.10. Where interviews were conducted, consent was obtained from each individual to have the meeting recorded, unless otherwise stated.
- 2.1.11. The information and documentation included in this report as annexures and/or exhibits have been converted from the original to PDF. In some cases, this has required the original to be reduced in size or other minor modifications to the original.
- 2.1.12. Where necessary, Microsoft Excel files have been modified to enable them to be printed. This may have included removing information not considered relevant to the investigation. The electronic copy on the annexure includes information as it was presented without these modifications.
- 2.1.13. Except where otherwise stated we do not comment on the tax effects of the investigation or transactions in this report.

2.1.14. Where applicable, we have included in the relevant sections of this report limitations and outstanding procedures.

2.1.15. We were not provided with the following information which has limited our investigation procedures:

2.1.15.1. We attempted to secure interviews with the following individuals and/or entities; however, they did not avail themselves as scheduled:

No	Individual / Entity Name	Dates of interviews scheduled	Reason provided for not attending
1	Molise Ramaili Chief Executive Officer Lesotho National Development Corporation	14 November 2024	Molise Ramaili sent an email on 04 November 2024 indicating that he is out of office and will revert regarding his availability. <sup>1</sup>
		21 November 2024	We issued an invitation to Molise Ramaili on 15 November 2024 and received no response to our email correspondence. We also requested the Supervisory Team to reach out to LNDC to no avail.
2	Lebohang Khomari Former SMIC Board Member	20 November 2024	Lebohang Khomari sent an email on 25 November 2024 informing us that she only came back from Angola on 21 November 2024 and missed the email requesting her to meet with us <sup>2</sup>
		We subsequently requested three (3) dates and times of her availability on 26 November 2024	We received no responses to our email correspondence issued to Lebohang Khomari on 26 November 2024 requesting her to provide us with 3 alternative dates and times of her availability
3	Palo Kotelo Former SMIC Board Member	11 November 2024	Palo Kotelo indicated telephonically to the Company Secretary that he has travelled to Johannesburg for medical treatment. He will confirm on Thursday (07 November 2024) whether he will back in Maseru on 11 November 2024 for the meeting. <sup>3</sup>  We did not receive any subsequent correspondence from him confirming his availability.

<sup>1</sup> Exhibit 1 – Email correspondence with Mr Molise Ramaili

<sup>2</sup> Exhibit 2 - Email correspondence with Lebohang Khomari

<sup>3</sup> Exhibit 3 – Email correspondence with Palo Kotelo (1)

No	Individual / Entity Name	Dates of interviews scheduled	Reason provided for not attending
		25 November 2024	We received no responses to our email correspondence issued to Palo Kotelo on 21 November 2024 <sup>4</sup>
4	Lerotholi Seeiso Former SMIC Board Member	12 November 2024 21 November 2024	We received no responses to our email correspondence issued to Lerotholi Seeiso on 03 November 2024 <sup>5</sup> and on 18 November 2024 <sup>6</sup>
5	Limpho Maema Former SMIC Board Member	16 November 2024 26 November 2024	Limpho Maema sent an email indicating that she can only be available on the 26 November 2024. Furthermore, she indicated that she is not available during work hours. <sup>7</sup>  We arranged to meet with Limpho Maema on 26 November 2024 at 7am. She sent an apology on the day of the interview indicating that she has an emergency bereavement in the family to attend to <sup>8</sup>  We also requested the Supervisory Team to reach out to Limpho Maema to no avail.
6	Tiisetso Sello-Mafatle Former SMIC Board Member	13 November 2024 20 November 2024	We received no responses to our email correspondence dated 03 November 2024 to Tiisetso Sello-Mafatle <sup>9</sup>  We received no responses to our email correspondence dated 16 November 2024 to Tiisetso Sello-Mafatle. <sup>10</sup>
7	Hatla Ntene Director of Mvua Properties and Moroa Property Development	05 June 2025	Received a response from Hatla Ntene indicating that he is not available as he is leaving for Kenya.  Forvis Mazars sent a follow up email requesting a date and time suitable for Hatla Ntene. No response was received. <sup>11</sup>

<sup>4</sup> Exhibit 4 – Email correspondence with Palo Kotelo (2)

<sup>5</sup> Exhibit 5 – Email correspondence with Lerotholi Seeiso (1)

<sup>6</sup> Exhibit 6 - Email correspondence with Lerotholi Seeiso (2)

<sup>7</sup> Exhibit 7 – Email correspondence with Limpho Maema (1)

<sup>8</sup> Exhibit 8 - Email correspondence with Limpho Maema (2)

<sup>9</sup> Exhibit 9 - Email correspondence with Tiisetso Sello-Mafatle (1)

<sup>10</sup> Exhibit 10 - Email correspondence with Tiisetso Sello-Mafatle (2)

<sup>11</sup> Exhibit 11 – Email correspondence with Hatla Ntene

- 2.1.15.2. We were not provided with the SMIC Nedbank Lesotho bank statements to perform an independent analysis of whether the M15 million loan from Nedbank Lesotho was received by SMIC.
- 2.1.15.3. We were provided with insufficient information in relation to the refurbishment of Sekhametsi Place and construction of the Vodacom Park Building. This resulted in us being unable to perform the required investigation procedures as the following key information was incomplete and/or not provided:
  - 2.1.16. Tender specification and advertisements outlining the scope of work;
  - 2.1.17. Documentation relating to the selection, evaluation, approval, and appointment of service providers and contractors;
  - 2.1.18. Service Level Agreements of Ntsihlele Land Surveyors and Math Properties;
  - 2.1.19. Financial records, invoices, payment vouchers, and supporting documentation verifying payments made to service providers, contractors, and third parties; and
  - 2.1.20. Building plans and drawings.
- 2.1.20.1. We were not provided with documents relating to the procurement of Project Manager, Mvua Properties / Moroa Property Investment for the renovation of Sekhametsi Place.
- 2.1.20.2. We were also not provided with any addendums or variation order submissions to understand the reason why contractors invoiced SMIC more than the contractual amount stated in the PROCSA in respect of the refurbishment of Sekhametsi Place.
- 2.1.20.3. We were not provided with the minutes of all SMIC Board meetings as well as SMIC Sub-Committee (Investment Committee, Audit and Risk Committee and Directors Affairs Committee) meetings for the period under review.

### **3. Procedures Performed**

- 3.1. The procedures performed during the investigation are listed below and were not necessarily undertaken in sequential order.
- 3.2. Information gathering and document review:

- 3.2.1. During our investigation we requested copies of relevant documents and correspondence from SMIC. These documents are more fully described below to the extent relevant to the assessment of the veracity of the allegations.
- 3.2.2. Our analysis was limited to the available documentation listed in the Table 1, below:

**Table 1: Documentation reviewed**

No	A
Documents Reviewed	
1.	Copy of Lesotho Companies Act 18 of 2011
2.	Copy of resignation letter of Mr Lebete, 12 September 2024
3.	Copy of minutes of SMIC Special Board meeting, dated 30 September 2021
4.	Copy of letter from LNDC to Mr Moteane dated 21 October 2021
5.	Copy SMIC Standard Bank statements (Account number: 9080001356689)
6.	Copy of SMIC 2022 Annual Financial Statement
7.	Forvis Mazars website extractions in respect of the 2020 Dubai Expo
8.	Copy of Mr Lebete's itinerary when traveling to Dubai 2020
9.	SMIC Board minutes dated 06 February 2021
10.	Copy of Creative Lab invoice dated 12 October 2021
11.	Copy of email dated 13 October 2021 from Mr Makeka to Standard Lesotho Bank
12.	Copy of undated Microsoft worksheet extracted from our Digital Forensics analysis
13.	Copy of Lesotho Government Gazette (Legal Notice No. 48 of 2023)
14.	Copy of SMIC conditional offer to VDI dated 30 November 2021
15.	Copy of SMIC Standard Bank statements (Account number: 9080001356689) for the period 03 April 2018 to 31 March 2014
16.	Copy of Board meeting minutes 25 March 2022
17.	Copy of SMIC 2021 Annual Financial Statement report
18.	Copy of Discounted Cash Flow Valuation model prepared by Inani Valuers
19.	Copy of valuation report prepared by Inani Valuers dated 02 January 2021
20.	Copy of email from Mr Fanana to SMIC delegation dated 23 December 2021
21.	Copy of VDI Due Diligence Report dated March 2022
22.	Copy of SMIC Board minutes dated 25 March 2022
23.	Copy of SMIC Board resolution 04/2022
24.	Copy of Undated VDI presentation received from Mr Lebete
25.	Copy of undated document outlining VDI shareholders' loans received from Mr Lebete
26.	Copy of Shareholders Agreement signed 16 May 2022
27.	Copy of Subscription Agreement dated 16 May 2022
28.	Copy of unsigned letter from SMIC to Lesotho Pension Fund dated 6 December 2021

No	A
Documents Reviewed	
29.	Copy of letter from Pension Fund to SMIC dated 3 March 2022
30.	Copy of letter from Nedbank to SMIC dated 13 July 2022
31.	Copy of SMIC loan application letter dated 19 September 2022
32.	Copy of email correspondence between Sekhametsi Properties and SMIC
33.	Copy of email from Mr Lebete to SMIC Board apologising for effecting payment to VDI
34.	Copy of Afri Expo Re-Capitalisation Strategy PowerPoint Presentation
35.	Copy of SMIC Minutes 17.07.2018 Board Remuneration
36.	Copy of AET File
37.	Copy of Letter from SMIC to AET dated 17 December 2019
38.	Copy of Letter dated 06 January 2020 from AET to SMIC
39.	Copy of SMIC Minutes of the Special Board Meeting dated 29 January 2020
40.	Copy of signed Shareholders Agreement dated 28 February 2020
41.	Copy New Dawn Chartered Accountants management letter dated 23 February 2021
42.	Copy of email from Ms Mojaje to various recipients dated 30 May 2018
43.	Copy of Board meeting minutes held on 06 February 2021
44.	Copy of unsigned Terms of Reference for HR Consultant to assist with filing of CEO post
45.	Copy of Grading Report by IDM dated 02 December 2021
46.	Copy of Proposal by Directors Affairs Committee
47.	Copy of Proposal submitted by Mandarin Advisor
48.	Copy of Proposal submitted by Institute of Development Management
49.	Copy of unsigned evaluation report by Directors Affairs Committee
50.	Copy of minutes of The Special Board Meeting held on 30 September 2021
51.	Copy of report by Institute of Development Management dated 11 February 2022
52.	Various invoices for the refurbishment of Sekhametsi Place

**Table 2: Summary of minutes of various SMIC meetings**

No	A			
	Minutes / Resolution	Type	Date	Signed / Unsigned
1.	Minutes	Board Meeting Minutes	17/07/2018	Signed
<b>2019</b>				
2.	Minutes	AGM	19/05/2019	Signed
3.	Minutes	Board Meeting	02/12/2019	Unsigned
<b>2020</b>				
4.	Minutes	Special Board Meeting	29/01/2020	Signed

No	A			
	Minutes / Resolution	Type	Date	Signed / Unsigned
5.	Minutes	Special Board Meeting	06/02/2020	Signed
6.	Minutes	Extra Ordinary AGM	23/02/2020	Unsigned
7.	Minutes	Special Board Meeting	06/08/2020	Signed
8.	Minutes	Special Board Meeting	04/10/2020	Signed
9.	Minutes	Special Board Meeting	08/10/2020	Signed
10.	Minutes	Board Meeting	25/10/2020	Signed
11.	Minutes	Special Board Meeting	01/11/2020	Signed
12.	Minutes	Special Board Meeting	30/11/2020	Signed
<b>2021</b>				
13.	Minutes	Board Meeting	06/02/2021	Signed
14.	Minutes	Board Meeting	10/04/2021	Signed
15.	Minutes	Special Board Meeting	13/05/2021	Signed
16.	Minutes	Board Meeting	30/05/2021	Signed
17.	Minutes	Special Board Meeting	07/06/2021	Signed
18.	Minutes	Board Meeting	24/06/2021	Signed
19.	Minutes	Directors Affairs Committee	27/08/2021	Unsigned
20.	Minutes	Special Board Meeting	30/09/2021	Unsigned
<b>2022</b>				
21.	Minutes	Board meeting	25/03/2022	Unsigned
22.	Minutes	AGM meeting	07/07/2022	Unsigned
23.	Minutes	Board Meeting (Induction at Botleng Guesthouse)	16 to 18 September 2022	Signed
<b>2023</b>				
No minutes provided for the 2023 year				

### 3.3. Interviews:

3.3.1. We conducted consultations and/or interviews with the following individuals:

**Table 3: Interviews conducted**

No	A	B	C	D
	Individuals	Designation	Date	Location
1	Mr Mohapelwane	Active Board Member	30 August 2024	In-person SMIC Office
	Mr Ntabe	Active Board Member		

No	A Individuals	B Designation	C Date	D Location
	Mr Selikane	Active Board Member		
2	Mr Makhate Mr Selikane	Active Board Member Active Board Member	02 September 2024	Virtual meeting Microsoft Teams
3	Mr Makhate Mr Ntabe Mr Selikane	Active Board Member Active Board Member Active Board Member	03 September 2024	In-person SMIC Office
4	Mr Lebete	Former CEO	17 September 2024 18 September 2024	In-person SMIC Office
5	Mr Matsaba	Accountant	18 September 2024	In-person SMIC Office
6	Ms Mahamo	Former Assistant Accountant	18 September 2024	In-person SMIC Office
7	Mr Maphathe	Former Board Member	14 November 2024	In-person SMIC Office
8	Ms Thamae	Former Board Member	14 November 2024	In-person SMIC Office
9	Mr Makeka	Director at Creative Lab	15 November 2024	In-person SMIC Office
10	Ms Mojaje	KTM Employee	20 November 2024	Virtual meeting Microsoft Teams
11	Mr Molapo	Director at IDM	22 November 2024	Virtual meeting Microsoft Teams
12	Mr Sefako	Former Board Member	26 November 2024	In-person Forvis Mazars Office
13	Mr Moteane	Former Board Member	27 November 2024	Virtual meeting Microsoft Teams
14	Mr Mahloko	Former Accountant	29 November 2024	Virtual meeting Microsoft Teams
15	Dr Monyamane	Active Board Member	14 January 2025	Virtual meeting Microsoft Teams
16	Mr Nhlapho	SMIC Shareholder	25 February 2025	In-person Botleng Guest House
17	Mr Green	Former Board Member	26 February 2025	Microsoft Teams

### 3.4. General

3.4.1. The findings detailed below are based on the investigative procedures described above.

#### 4. Executive Summary

Section referenced in report	Sub-heading	Findings	Contravention	Responsible person
<b>B1.1</b>	<b>SMIC engagement with Lesotho National Development Corporation</b>	<ul style="list-style-type: none"> <li>Mr Moteane and Mr Lebete acted unilaterally without due approval from the SMIC Board by processing the pledge of \$12,000.00 (M180,000.000) to LNDC.</li> </ul>	<ul style="list-style-type: none"> <li>Mr Moteane and Mr Lebete acted without authority and approval.</li> <li>By approving this payment Mr Moteane and Mr Lebete did not act within the best interest of the SMIC Board and/or shareholders.</li> </ul>	<ul style="list-style-type: none"> <li>Mr Matjato Moteane</li> <li>Mr Leboela Lebete</li> </ul>
		<ul style="list-style-type: none"> <li>The M180,000.00 pledge (donation) to LNDC was not accounted for as a donation in the accounting records of SMIC</li> </ul>	<ul style="list-style-type: none"> <li>Inaccurate accounting of transactions in SMIC's 2022 Consolidated Annual Financial Statement</li> </ul>	<ul style="list-style-type: none"> <li>Mr Mahloko (Former Accountant)</li> </ul>
<b>B1.5</b>	<b>Work performed by Creative Lab in respect of the Dubai Expo</b>	<ul style="list-style-type: none"> <li>We were not provided with any quotations to confirm whether SMIC tested the market for competitive prices, prior to conducting business with Creative Lab. Therefore, no fair procurement process was followed in the appointment of Creative Lab.</li> </ul>	<ul style="list-style-type: none"> <li>We find that Mr Moteane and Mr Lebete did not act within the best interest of the SMIC Board and shareholders by processing a payment in the sum of M315,682.22 to Creative Lab.</li> </ul>	<ul style="list-style-type: none"> <li>Mr Matjato Moteane</li> <li>Mr Leboela Lebete</li> </ul>
		<ul style="list-style-type: none"> <li>There was no budget prepared by the SMIC Board outlining the cost of SMIC's participation in the 2020 Dubai Expo</li> </ul>	<ul style="list-style-type: none"> <li>We find that the SMIC Board did not act in the best interest of SMIC shareholders by not approving a budget prior to the Dubai Expo but instead provided a reconciliation expenditure after the fact</li> </ul>	<ul style="list-style-type: none"> <li>All SMIC Board members during the period October 2021</li> </ul>

Section referenced in report	Sub-heading	Findings	Contravention	Responsible person
<b>B1.7</b>	<b>SMIC Offer Letter to Verve Dynamics</b>	<ul style="list-style-type: none"> <li>We were not provided with any evidence that the SMIC Board approved that a trip be undertaken to Cape Town and that five (5) Board members be delegated to represent SMIC to VDI's sister company in Cape Town</li> </ul>	<ul style="list-style-type: none"> <li>The delegation that travelled to VDI in Cape Town incurred M17,750.00. We were not provided with any evidence of what the payment in respect of the M17,750.00 relates to. We therefore find that the Board members who travelled to Cape Town did not act within the best interest of the SMIC Board and shareholders by incurring unauthorised expenditure amounting to M17,750.00</li> </ul>	<ul style="list-style-type: none"> <li>Mr Matjato Moteane</li> <li>Unidentified four (4) other SMIC Board members who attended</li> </ul>
<b>B1.7</b>	<b>Analysis of SMIC's offer letter to VDI</b>	<ul style="list-style-type: none"> <li>Four (4) Board members (Mr Lebete, Mr Sefako, Mr Moteane and Adv Maema) presented an offer to VDI prior to consultation with the entire Board, committing to financial undertakings without a confirmed and approved source of funding</li> </ul>	<ul style="list-style-type: none"> <li>The four (4) Board members did not act within the best interest of SMIC as SMIC was not in a financial position to endorse the VDI deal in its entirety (M145 million) from readily available cash resources</li> </ul>	<ul style="list-style-type: none"> <li>Mr Leboela Lebete</li> <li>Mr Relebohile Sefako</li> <li>Mr Matjato Moteane</li> <li>Adv Limpho Maema</li> </ul>

Section referenced in report	Sub-heading	Findings	Contravention	Responsible person
<b>B1.9</b>	<b>Inani report</b>	<ul style="list-style-type: none"> <li>The SMIC due diligence committee failed to perform an adequate due diligence in respect of the Inani report as the registered Lessor/s of the property is listed as MGC Properties, an entity that was deregistered four (4) years prior to the Inani report being compiled</li> </ul>	<ul style="list-style-type: none"> <li>The SMIC due diligence committee did not act within the best interest of the SMIC Board and shareholders by not performing or requesting to perform a comprehensive due diligence assessment on the VDI deal and all supporting documents thereof</li> </ul>	<ul style="list-style-type: none"> <li>Mr Leboela Lebete</li> <li>Mr Palo Kotelo</li> <li>Mr Lerotholi Seeiso</li> <li>Ms Lintle Thamae</li> </ul>
<b>B1.10</b>	<b>Selemo Capital report</b>	<ul style="list-style-type: none"> <li>We identified a number of deficiencies and inconsistencies in the VDI Discounted Cash Flow Model prepared by Selemo Capital.</li> </ul>	<ul style="list-style-type: none"> <li>The SMIC due diligence committee did not act within the best interest of the SMIC Board and shareholders by not comprehensively assessing VDI Discounted Cash Flow Model prepared by Selemo Capital.</li> </ul>	<ul style="list-style-type: none"> <li>Mr Leboela Lebete</li> <li>Mr Palo Kotelo</li> <li>Mr Lerotholi Seeiso</li> <li>Ms Lintle Thamae</li> </ul>

Section referenced in report	Sub-heading	Findings	Contravention	Responsible person
<b>B1.12</b>	<b>Forvis Mazars analysis of the March 2022 due diligence report prepared by SMIC</b>	<ul style="list-style-type: none"> <li>We identified a number of deficiencies and inconsistencies in the due diligence report prepared by the SMIC due diligence committee</li> </ul>	<ul style="list-style-type: none"> <li>The SMIC due diligence committee did not act within the best interest of the SMIC Board and shareholders by not compiling a comprehensive legal, technical, operational, environmental and financial due diligence as stipulated in Condition No 3 of the offer letter to VDI</li> </ul>	<ul style="list-style-type: none"> <li>Mr Leboela Lebete</li> <li>Mr Palo Kotelo</li> <li>Mr Lerotholi Seeiso</li> <li>Ms Lintle Thamae</li> </ul>
<b>B1.13</b>	<b>VDI Presentation</b>	<ul style="list-style-type: none"> <li>The SMIC due diligence committee did not request the full drug operator licence from VDI</li> </ul>	<ul style="list-style-type: none"> <li>The SMIC due diligence committee did not act within the best interest of the SMIC Board and shareholders by not adequately interrogating the licensing of VDI during their due diligence assessment</li> </ul>	<ul style="list-style-type: none"> <li>Mr Leboela Lebete</li> <li>Mr Palo Kotelo</li> <li>Mr Lerotholi Seeiso</li> <li>Ms Lintle Thamae</li> </ul>

Section referenced in report	Sub-heading	Findings	Contravention	Responsible person
<b>B1.14</b>	<b>Shareholder Agreement and Share Subscription Agreement</b>	<ul style="list-style-type: none"> <li>Clause 7 of the subscription agreement states that each party warrants and represents that <b>it has the full capacity and authority</b> to enter and perform its obligations under the Agreement. We were not provided with any Board Resolution or minutes of any SMIC Board meeting authorising Mr Lebete to enter into this agreement.</li> </ul>	<ul style="list-style-type: none"> <li>The due diligence committee was aware of the contractual agreement. We therefore find that the due diligence committee (and Adv Maema, as she was providing legal advice) did not act within the best interest of the SMIC Board and shareholders as they knowingly entering into a shareholder agreement with VDI without obtaining prior approval from the Board.</li> </ul>	<ul style="list-style-type: none"> <li>Mr Leboela Lebete</li> <li>Mr Palo Kotelo</li> <li>Mr Lerotholi Seeiso</li> <li>Ms Lintle Thamae</li> <li>Adv Limpho Maema</li> </ul>
		<ul style="list-style-type: none"> <li>We were not provided with any shareholder certificate in respect of the 10 shares acquired by SMIC (2.5% shareholding).</li> </ul>	<ul style="list-style-type: none"> <li>VDI did not comply with Section 20(3) of the Lesotho Companies Act</li> </ul>	<ul style="list-style-type: none"> <li>Verve Dynamics Incorporated</li> </ul>
<b>B1.15</b>	<b>SMIC funding model to acquire investment</b>	<ul style="list-style-type: none"> <li>Adv Maema advised the SMIC Board to act to ensure that the first tranche payment to VDI in the amount of M15 million be paid. Her advice does not reference the moratorium on new deals imposed by the AGM on 24 July 2022 and furthermore does not address any of the concerns regarding the VDI deal which were raised by the shareholders during the 2022 AGM.</li> </ul>	<ul style="list-style-type: none"> <li>Adv Maema did not exercise due care and did not appropriately advise the SMIC Board on this matter.</li> </ul>	<ul style="list-style-type: none"> <li>Adv Limpho Maema</li> </ul>

Section referenced in report	Sub-heading	Findings	Contravention	Responsible person
B2.2	Investment in AET	<ul style="list-style-type: none"> <li>SMIC Board was aware that AET was not in good financial standing and the decision to invest stemmed from SMIC's desire to "empower locally owned businesses"</li> </ul>	<ul style="list-style-type: none"> <li>We were not provided with any support in respect of the alleged financial due diligence performed on AET. According to Mr Lebete no comprehensive due diligence report was prepared prior to the investment and their financial due diligence was limited to review of AET's financial statements. We therefore find that the SMIC Board did not act within the best interest of the shareholders by not compiling a comprehensive due diligence</li> <li>the SMIC Board did not act within the best interest of the shareholders by investing in AET despite being aware that AET was not in a good financial standing</li> </ul>	<ul style="list-style-type: none"> <li>SMIC Board during January 2020</li> </ul>
C3	Recruitment	<ul style="list-style-type: none"> <li>We were not provided with any Board minutes or Board resolution in respect of who the Board chose as the successful candidate for the CEO position, however according to Mr Moteane and Mr Sefako, a Board meeting was held and the Board collectively decided that Mr Lebete was the suitable candidate due to the fact that he</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>

Section referenced in report	Sub-heading	Findings	Contravention	Responsible person
		understood the business operations of SMIC.		
<b>C3.2</b>	<b>CEO Employment Contract</b>	<ul style="list-style-type: none"> <li>Mr Lebete's salary bracket was determined by IDM and SMIC appointed him on a lower scale despite IDM's recommendation.</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>
<b>C6</b>	<b>Refurbishment of Sekhametsi Place</b>	<ul style="list-style-type: none"> <li>When comparing the contact values as stated in the PROCSA, we noted that seven (7) of the nine (9) service providers invoiced more than their contractual amounts which cumulatively amount to 14,692,127.36</li> </ul>	<ul style="list-style-type: none"> <li>No contract variation or addendums to contracts were provided to substantiate the additional payments to service providers</li> </ul>	<ul style="list-style-type: none"> <li>Moroa Property Investment</li> <li>Mr Leboela Lebete</li> <li>Mr Matjato Moteane</li> </ul>

## 5. Findings

5.1. Our findings are detailed in the section below set out under the following sub-headings:

### A. SMIC Board of Directors

### B. Stream 1

B.1 Verve Dynamics Incorporated

B.2 Afri-Expo Textiles (Pty) Ltd

### C. Stream 2

C.1 Sekhametsi Place

C.2 Vodacom Park Building

C.3 Recruitment of CEO

### D. Stream 3

D.1 Sekhametsi Enterprise (Pty) Ltd

### E. Related Parties

E.1 Selemo Capital

E.2 Organica Global Brands

### F. Digital Forensics

### A. SMIC Board of Directors

5.2. Sekhametsi Investment Consortium (“SMIC”) is a public company duly registered in terms of the Lesotho Companies Act 18 of 2011 (“Lesotho Companies Act”<sup>12</sup>). SMIC is not restricted from offering shares to the public.

5.3. SMIC Board of Directors are therefore obliged to comply with the provisions stated in the Lesotho Companies Act 18 of 2011.

5.4. Based on our review of source documents and consultation with current and former SMIC Board members we were able to identify the following individuals who serve(d) as members of the SMIC Board of Directors as summarised in the table below:

**Table 4: Summary of the members who served on the SMIC Board of Directors during the VDI investment**

<sup>12</sup> Exhibit 12: Copy of Lesotho Companies Act 18 of 2011

NO	Name	Served as SMIC Board of Directors	Served as SMIC- Investment Sub-Committee	Served as SMIC- Audit and Risk Sub-Committee	Served as SMIC- Directors Affairs Sub-Committee
1	Leboela Lebete	Chairperson	Yes		
2	Matjato Moteane	Board Director	Yes		
3	Palo Kotelo	Board Member	Yes		
4	Lebohang Khomari	Board Member	No information provided		
5	Lerotholi Seeiso	Board Member	Yes		
6	Lintle Thamae	Board Member	Yes		
7	Relebohile Sefako	Board Member	Yes		
8	Limpho Maema	Board Member	No information provided		
9	Tiisetso Sello-Mafatle	Company Secretary	No information provided		

5.5. In light of all the concerns raised by the Shareholders of SMIC, we noted that Mr Leboela Lebete (“Mr Lebete”) occupied the following portfolios at SMIC:

- 5.5.1. Chairperson of the SMIC Board of Directors who served during the period August 2018 until 31 May 2022; and
- 5.5.2. Chief Executive Officer (“CEO”) of SMIC appointed 01 June 2022 and resigned with an effective date of 12 September 2024.<sup>13</sup>

5.6. We also noted that the following four (4) individuals were elected and appointed to serve as SMIC Board Directors from September 2022:

**Table 5: Summary of newly elected members of the SMIC Board of Directors from September 2022**

<sup>13</sup> Exhibit 13: Copy of resignation letter of Mr Lebete, 12 September 2024

NO	Name	Served as SMIC Board of Directors	Served as SMIC- Investment Sub-Committee	Served as SMIC- Audit and Risk Sub-Committee	Served as SMIC- Directors Affairs Sub-Committee
1	Lebohang Mohau	Board Member	No information provided by SMIC to confirm on which sub-committees the Board member served		
2	Thuso Green	Board Member Chairperson	No information provided by SMIC to confirm on which sub-committees the Board member served		
3	Dr Sasha Monyamane	Board Member	No information provided by SMIC to confirm on which sub-committees the Board member served		
4	Tseliso Ntabe	Board Member	No information provided by SMIC to confirm on which sub-committees the Board member served		

5.7. During consultation with Mr Thuso Green (“Mr Green”) he informed us that he resigned from the Board and issued his letter of resignation dated 31 March 2023<sup>14</sup>. We enquired from Mr Green what the reasons were for his resignation, and he informed us of the following:

5.7.1. There was a toxic working environment within the Board and a blatant lack of respect as well as the use of unaccepted language. Furthermore, the Board convened excessively and had had countless debates whereby no progress was made, and the agenda could not be completed in most meetings. According to Mr Green, directors were more interested in identifying the mistakes of others and not providing solutions;

5.7.2. This toxicity had an impact on his health, and he had to seek medical treatment whereby he was advised to address stress inducing factors;

5.7.3. There were personal attacks on his character by some directors who implied that he had changed sides and joined an opposing group in the Board; and

5.7.4. There were lies told to shareholders that he is working against the SMIC’s shareholders desire to increase its share in Vodacom Lesotho to take advantage of opportunities.

5.8. During consultation with Dr Sasha Monyamane (who is a former SMIC Board member) (“Dr Monyamane”), she informed us that she too had resigned from the Board, citing the following reasons:

5.8.1. The Board was a very hostile and cliquy environment;

<sup>14</sup> Exhibit 14 -Copy of Mr Thuso Green's letter of resignation dated 31 March 2023

- 5.8.2. Certain Board members were very dominant and influential while also being resistant to governance and policy restrictions being put in; and
- 5.8.3. Dr Monyamane further informed us that she withdrew because she felt she would have let the people who had nominated her down.
- 5.9. Dr Monyamane also informed us that the Board deals with many operational issues that a Board ought not to be involved in. She further stated that there is a lack of structure within the Board and no policies and procedures in place that govern or give structure
- 5.10. Our investigation cover allegations of the timeframe while the above-mentioned individuals served as members of the SMIC Board of Directors. The details in respect of each of the allegations are referred to under the three (3) streams and details thereof will be addressed under each of the following headings and sub-headings:
  - 5.10.1. Stream 1:
    - 5.10.1.1. Verve Dynamics Incorporated; and
    - 5.10.1.2. Afri Expo Textile.
  - 5.10.2. Stream 2:
    - 5.10.2.1. Sekhametsi Place;
    - 5.10.2.2. Vodacom Park Building; and
    - 5.10.2.3. Appointment of the Chief Executive Officer.
  - 5.10.3. Stream 3:
    - 5.10.3.1. Sekhametsi Enterprises (Pty) Ltd

**B. Stream 1**

- 5.11. It is our understanding from our kick off briefing meeting with the Supervisory Team that the SMIC Board of Directors invested M15 million in Verve Dynamics Incorporated (“VDI”) during 2022 without seeking prior approval from the shareholders.
- 5.12. Our investigation will, therefore, focus on all procedures followed by the former SMIC Board members resulting in the 25% acquisition in VDI.
- 5.13. During our consultation with Mr Lebete, we established that he occupied various portfolios leading up to the VDI investment and the subsequent conclusion and partial payment of the VDI investment, which therefore makes him the central person of interest together with other members of the SMIC Board of Directors. Mr Lebete’s involvement in the VDI investment spans from him occupying the following

portfolios; SMIC Chairperson of the Board of Directors, Chairperson of the Investment Board Sub-Committee and Chief Executive Officer (“CEO”) of SMIC.

5.14. During consultation with numerous persons of interests and inspection of certain source documents, we provide in summary, a chronology of events leading up to the investment in VDI. The below events (summarised in the table 6 below) will also be discussed in greater detail under each sub-heading and serves to provide context to our report findings in respect of the VDI investment:

**Table 6: Verve Dynamics Incorporated – Chronology of events**

No	Date	Description
1	30 September 2021	Board minutes resolving SMIC’s participation in Dubai Expo
2	13 October 2021	Payment of M315,682.22 made by SMIC with the description “Creative Lab – Dubai Trip”
3	21 October 2021	Letter from Lesotho National Development Corporation acknowledging SMIC’s pledge of \$12.000
4	23 October 2021	Payment of M180,000 made by SMIC with description “Sponsorship Dubai Expo”
5	28 October to 31 October 2021	2020 Dubai Expo
6	30 November 2021	Conditional offer from SMIC to Verve Dynamics Incorporated
7	February 2022	Presentation by VDI to SMIC Board <ul style="list-style-type: none"> <li>• Verve Dynamics Incorporated Business Case</li> <li>• Discounted Cash Flow Model presented by Selemo Capital</li> </ul>
8	March 2022	Due diligence report <ul style="list-style-type: none"> <li>• Valuation Report by Inani Valuers, dated 02 January 2021</li> </ul>
9	25 March 2022	SMIC Board minutes resolving that the Board accepts the due diligence report and finalisation of the investment deal is approved
10	Undated document 04/2022	SMIC Board resolution 04/2022 that the Board was satisfied that investing in Verve Dynamics Incorporated is a good investment opportunity
11	16 May 2022	Shareholder Agreement concluded between SMIC and Verve Dynamics Incorporated
12	16 May 2022	Share Subscription Agreement
13	July to October 2022	Moratorium imposed by shareholders at AGM
14	18 September 2022	Payment of M15 million to Verve Dynamics Incorporated

**B1. Verve Dynamics Incorporated**

5.15. We performed independent background searches on VDI as well as the parties to the Shareholder agreement between Matekane Group of Companies (Pty) Ltd, Cann Invest Africa (Pty) Ltd and Verve Dynamics Incorporated (Pty) Ltd. We noted that none of the Directors stated in table 7 below have any direct business interest link amongst the three (3) companies. Find below schedule in respect of directorship in the entities:

**Table 7: Forvis Mazars independent background checks**

No	Entity Name	Entity registration number	Registered address	Active Directors	Entity Status
1	Matekane Group of Companies (Pty) Ltd	I2008/999	Khubutsoane Opposite National Abattoir, Main North One, Maseru, 100, Lesotho	1. Malineo Mabokang Kobeli 2. Peter Malay 3. Ntsokoane Samuel Matekane 4. Thato Judith Matekane 5. Motjoka Matekane	In business
2	Cann Invest Africa (Pty) Ltd	2018/295494/07	5 Fish Eagle Park, Old Paardevlei Road, Somerset West, Western Cape, 7130	1. Richard Paul Davies 2. Mark Kemp	In business
3	Verve Dynamics Incorporated (Pty) Ltd	2017/117627/07	Unit 5 Fish Eagle Park, Ou Paardevlei Road, Somerset West, Western Cape, 7130	1. Richard Paul Davies 2. Cindy Hollard	In Business

### B1.1. SMIC engagement with Lesotho National Development Corporation

5.16. We reviewed a Microsoft Word version of an unsigned Board minutes<sup>15</sup> dated 30 September 2021, (provided by Mr Lebete in Word format) titled “Minutes of The Special Board Meeting Held On Thursday 30th September 2021 At 17h30” and noted from item 2.2 that the SMIC Board resolved to participate in the 2020 Dubai Expo, which states the following:

- “The Board Resolved that SMIC participates in the Expo, and that Management collate information on costs of the trip; and the Board through Investment and Strategy Committee to

<sup>15</sup> Exhibit 15 - Copy of minutes of SMIC Special Board meeting, dated 30 September 2021

*determine what information to share on the cloud Virtual Platform and for the Lesotho National Day.*

- *The Board noted that the Investment and Strategy Committee will determine 3(three) Directors to be deployed based on what SMIC intends to achieve and benefit from the Expo...”*

5.17. We understand from our consultations with Mr Lebete that the SMIC Investment and Strategy Sub-Committee at the time was made up of the following Board members:

- 5.17.1. Leboela Lebete;
- 5.17.2. Relebohile Sefako;
- 5.17.3. Matjato Moteane;
- 5.17.4. Palo Kotelo;
- 5.17.5. Lerotholi Seeiso; and
- 5.17.6. Lintle Thamae.

5.18. We reviewed an undated and unsigned copy of the Sekhametsi Investment Consortium Board Corporate Governance Charter<sup>16</sup>. Our review of the document properties indicate that the document was created on 10 April 2017. We noted that the Board’s roles are listed as follows:

*“The principal roles of the Board as a collective body are:*

- *To review and approve the strategic direction, as detailed in the long term corporate strategy and the annual business plan with achievable and measurable targets and milestones.*
- *To review and approve budgets and other performance indicators and review performance against them, initiating corrective action where required.*
- *Oversight of the company, including its control and accountability systems.*
- *To approve policies ensuring compliance with applicable laws and the highest business and ethical standards.*
- *To appoint and evaluate the ongoing performance against predetermined criteria of the Chief Executive Officer.*
- *To appoint and evaluate the ongoing performance against predetermined criteria of the Board Secretary.*
- *To review and approve the total remuneration of the Chief Executive Officer.*
- *To review the structure and composition of the Board and Board Committees to ensure the most effective structure that best assists the governance process.*
- *To test by questioning and challenging management assertions and by requiring that the Board be kept fully informed of operational and financial performance.*
- *To review and approve business plans and budgets, ensuring they are in accord with and support the established objectives and approved strategies.*

<sup>16</sup> Exhibit 16 – Copy of undated Sekhametsi Investment Consortium Board Corporate Governance Charter

- *To approve and monitor the progress of major capital expenditure, investment management, and acquisitions and divestitures.*
- *To ensure that policies on key issues, including exposure to various risks, are in place and are appropriate.*
- *To review and ratify systems of risk management and internal compliance and control, codes of conduct and legal compliance.*
- *To recommend the appointment of auditors and to oversee the audit process and review audit reports.*
- *Require and monitor systems for keeping key stakeholders informed.”*

5.19. From a Corporate Governance perspective, we find it concerning that a proposed Board Corporate Governance Charter was developed as early as April 2017, however, as it stands, the SMIC Board Corporate Governance Charter has not been approved.

5.20. Our analysis of the Special Board meeting of 30 September 2021, identified that the SMIC Board agreed to participate in the Dubai Expo and that three (3) Directors from the Investment and Strategy Committee will attend the Expo.

5.21. During consultation with Mr Lebete, he informed of the following:

5.21.1. The 2020 Dubai Expo was arranged by the Lesotho National Development Corporation (“LNDC”);

5.21.2. The LNDC invited SMIC to participate in the Dubai Expo;

5.21.3. Mr Matjato Moteane (“Mr Moteane”) former SMIC Board member directly engaged with the LNDC; and

5.21.4. Mr Lebete attended a meeting with Mr Moteane at LNDC offices which was also attended by other “*business people*” of Lesotho (Mr Lebete cannot recall the exact date of this meeting).

5.22. During consultation with Mr Moteane, he confirmed the above version presented by Mr Lebete and elaborated further and provided the following additional information:

5.22.1. LNDC invited various corporate entities to a meeting that took place at the Avani Hotel (the meeting venue is different from what Mr Lebete presented) in Maseru;

5.22.2. Mr Moteane attended the meeting as SMIC’s representative;

5.22.3. During the meeting, LNDC requested attendees to pledge donations in support of Lesotho’s participation in the Dubai Expo;

5.22.4. Mr Moteane pledged \$12,000 (M180,000.00) on behalf of SMIC. He informed us that he unilaterally made this pledge with the understanding that he would go back to the SMIC Board and seek approval;

- 5.23. We enquired from Mr Moteane how the figure of \$12,000.00 was determined and he informed us that it was the cost of SMIC's participation in the Dubai Expo. He further added that SMIC received exhibition space at the Expo in exchange for the \$12,000.00.
- 5.24. We enquired from Mr Moteane which other Lesotho entities were present at this meeting, and he informed us of the following:
- 5.24.1. Vodacom Lesotho was present at this meeting; however, they did not pledge any amount stating that there is a conflict of interest regarding their participation in the Expo (we did not enquire further regarding the conflict of interest as Vodacom Lesotho's business ventures does not form part of our scope and mandate);
- 5.24.2. Some insurance companies were present, and they pledged a lesser amount;
- 5.24.3. VDI was present and also made a pledge; and
- 5.24.4. The current Prime Minister of Lesotho was also present, and his company (Matekane Group of Companies) pledged quite a significant amount.
- 5.25. Mr Moteane also informed us that he gave feedback to the SMIC Board subsequent to the meeting and informed them of the pledge. According to Mr Moteane, the Board supported the pledge and also decided that four (4) Board members should attend the Expo. It was decided that Mr Moteane, Mr Lebete, Mr Relebohile Sefako ("Mr Sefako") and Mr Lerotholi Seeiso ("Mr Seeiso") would attend the Expo on behalf of SMIC. It should be noted that the SMIC Board minutes we reviewed do not make any reference that the Board of director approved the pledge to LNDC or the nomination of four (4) director to attend the Dubai Expo.
- 5.26. We inspected a letter<sup>17</sup> from LNDC (only page 1 of 2 was provided) dated 21 October 2021 addressed to Mr Moteane, the purpose of the letter was to acknowledge SMIC's pledge of \$12,000 00 as "*support and sponsorship for Lesotho's participation in the ongoing Expo 2020 Dubai...*";
- 5.27. During consultation with Mr Lebete, he informed us that the Company Secretary ordinarily furnishes him with all Board minutes for a particular period which he then signs off in one sitting, that would be the reason why no signed minutes for the Special Board meeting of 30 September 2021.
- 5.28. We also noted that the letter from LNDC serves as an acknowledgement to a previous engagement confirming SMIC's commitment to pledge \$12,000.00. This indicates that prior discussions took place between Mr Moteane and LNDC representative(s). It was established during our interview with Mr Moteane that he attended a meeting with LNDC and unilaterally pledged the \$12,000.00 on behalf of SMIC.

<sup>17</sup> Exhibit 17 - Copy of letter from LNDC to Mr Moteane dated 21 October 2021

- 5.29. During our review of the imaged data extracted from SMIC’s USB memory stick, we noted from the SMIC Standard Bank statements (Account number: 9080001356689)<sup>18</sup> that on 23 October 2021 a payment of M180,000.00 with description “*Sponsorship Dubai Expo*”. Mr Moteane informed us that payment of the pledge to LNDC was approved by him and authorised by another Board member who was a bank signatory (Mr Moteane could not recall who the other Board member was that approved the payment).
- 5.30. Our analysis of the minutes of the Special Board meeting of 30 September 2021, found no reference that the SMIC Board agreed to pledge \$12,000.00 to LNDC. We were also not provided with any evidence (Round-robin resolutions or emails correspondence amongst the SMIC Board members) that pre-dates the LNDC letter dated 21 October 2021 where the SMIC Board resolved to pledge \$12,000.00 (M180,000.00) to LNDC for the upcoming 2020 Dubai Expo.
- 5.31. In the absence of any Board resolution approving payment of the pledge to LNDC, we find that the payment made by SMIC to LNDC in the sum of \$12,000.00 (M180,000.00) was unauthorised. We therefore find that Mr Moteane and Mr Lebete acted unilaterally without due approval and therefore did not act within the best interest of the SMIC Board and shareholders..
- 5.32. We inspected SMIC’s 2022 Consolidated Annual Financial Statement<sup>19</sup> (“AFS”) and noted on page 40, that the amount disclosed as “Donations” amounts to M25,000.00 only. The M180,000.00 pledge (donation) to LNDC was not accounted for as a donation in the accounting records of SMIC. Thus, the actual donations for the 2022 financial year were not accurately stated.

**B1.2. 2020 Dubai Expo**

- 5.33. Mr Lebete informed us that he was among three (3) Board members chosen by the SMIC Board of directors to attend the 2020 Dubai Expo which took place in the United Arab Emirates during 27- 29 October 2020. The SMIC delegation comprised of:
- 5.33.1. Leboela Lebete;
  - 5.33.2. Relebohile Sefako; and
  - 5.33.3. Matjato Moteane.
- 5.34. According to the minutes of the Special Board meeting dated 30 September 2021, “*the Board noted that the Investment and Strategy Committee will determine 3 (three) Directors to be deployed based on what SMIC intends to achieve and benefit from the Expo*”. During our inspection of subsequent Board minutes provided to us, we noted that said minutes do not identify or stipulate which Board members were selected to attend the Dubai Expo.

<sup>18</sup> Exhibit 18 - SMIC Standard Bank statements (Account number: 9080001356689)

<sup>19</sup> Exhibit 19 - Copy of SMIC 2022 Annual Financial Statements

- 5.35. According to Mr Lebete, the Expo was a 3-day event (27- 29 October 2021) and the purpose of SMIC’s participation was to showcase Lesotho owned businesses and network with other businesses to explore investment opportunities.
- 5.36. We performed open-source searches (Google) and identified the following background information in respect of the 2020 Dubai Expo:
- 5.36.1. Lesotho’s participation in the 2020 Dubai Expo included a national day celebration, a business forum, and a pavilion<sup>20</sup> (refer to Annexures A, B and C);
  - 5.36.2. On 27 October 2021, Lesotho celebrated its National Day at the 2020 Dubai Expo with a flag-raising ceremony, speeches, and a cultural celebration of music, dance, and poetry. King Letsie III and Queen Masenate Mohato Seeiso led the delegation, which included Ministers from several Ministries;
  - 5.36.3. On 28 October 2021, the Lesotho Business Forum was held at the Business Connect Centre at the 2020 Dubai Expo. The forum’s theme was *“Lesotho Rising to Prosperity”*. It brought together stakeholders to discuss policies and ideas to promote Lesotho as an investment-friendly business environment; and
  - 5.36.4. The Lesotho Pavilion at Expo 2020 Dubai told the story of Lesotho’s culture, nature, and sustainability. Visitors could learn about the impact of digital connectivity and energy access on the country’s economy and people’s lifestyles. They could also see traditional architecture and clothing.
- 5.37. Our independent searches conducted on open-source platforms (Google etc) confirmed that Lesotho indeed participated in the 2020 Dubai Expo and SMIC was represented at the Expo.
- 5.38. Mr Lebete provided us with a copy of his flight itinerary<sup>21</sup>, which is summarised in Table 6 below. Our inspection of the itinerary identified that Mr Lebete departed from Lesotho on 25 October 2021 and returned to Lesotho on 31 October 2021. This therefore implies that Mr Lebete spent four (4) nights in Dubai (26 to 29 October 2021) and one (1) night in South Africa (30 October 2021).

**Table 8: Mr Lebete’s Dubai trip itinerary**

#	Flight From	Flight To	Departure		Arrival	
			Date	Time	Date	Time
1	Maseru	Johannesburg O.R Tambo International	Mon 25 Oct 2021	16:25	Mon 25 Oct 2021	17:30
2	Johannesburg O.R Tambo International	Dubai	Mon 25 Oct 2021	19:10	Mon 26 Oct 2021	05:25 + 1
3	Dubai	Johannesburg O.R Tambo International	Sat 30 Oct 2021	09:45	Sat 30 Oct 2021	16:05
4	Johannesburg O.R Tambo International	Maseru	Sun 31 Oct 2021	15:00	Sun 31 Oct 2021	16:00

<sup>20</sup> Annexure A, B and C: Forvis Mazars website extractions in respect of the 2020 Dubai Expo

<sup>21</sup> Exhibit 21 - Copy of Mr Lebete’s itinerary

5.39. During consultation with Mr Moteane, he informed us that he did not fly on a commercial flight to Dubai as he was offered a “*lift by Mr Sam Matekane to fly on his private plane*”. Mr Sam Matekane (“Mr Matekane”) (full names: Ntsokoane Samuel Matekane) is one of the Directors of Matekane Group of Companies, an entity that is a shareholder in VDI.

**B1.3. Creative Lab**

5.40. It is alleged that SMIC paid an exorbitant amount of funds to Creative Lab in respect of the Dubai Expo. Our investigation is therefore guided by consultations and inspection of relevant source documents.

5.41. During our review of the SMIC Board minutes dated 06 February 2021<sup>22</sup>, we noted that Creative Lab made a presentation to the SMIC Board for revamping SMIC’s website. We reviewed a copy of the SMIC Standard Bank statements (Account number: 9080001356689) for the period 03 April 2018 to 31 March 2024 and noted that it was not the first time that SMIC had processed payments to Creative Lab. See below breakdown in respect of five (5) payments processed to Creative Lab:

**Table 9: Payments from SMIC to Creative Lab**

No	Entity	Bank	Account Number	Date	Description	Amount (M)
1	SMIC	Standard Lesotho Bank	9080001356689	21/06/2022	WEBSITE UPDATES	1,150.00
1	SMIC	Standard Lesotho Bank	9080001356689	05/07/2021	CREATIVE LAB	29,864.63
2	SMIC	Standard Lesotho Bank	9080001356689	01/06/2021	CREATIVE LAB	37,260.00
3	SMIC	Standard Lesotho Bank	9080001356689	30/03/2021	CREATIVE LAB	65,523.45
4	SMIC	Standard Lesotho Bank	9080001356689	02/03/2021	CREATIVELAB	72,989.63
<b>Total</b>						<b>206,787.71</b>

**B1.4. Background information on Creative Lab**

5.42. During consultation with Mr Tsokolo Makeka (“Mr Makeka”), Managing Director of Creative Lab, on 15 November 2024, he informed us of the following:

5.42.1. Creative Lab was founded in 2020;

5.42.2. Mr Makeka was one of the founding members of the company;

5.42.3. Selemo Investment Holdings (“Selemo Capital”) was the majority shareholder of the company;

5.42.4. Selemo Capital sold majority shares to an individual recruited by Mr Makeka and the other remaining shareholder; and

5.42.5. The resulting shareholding restructuring created an approximate equal split among the remaining three (3) individual shareholders with effect from June 2023.

<sup>22</sup> Exhibit 22 - SMIC board minutes dated 06 February 2021

5.43. We conducted background checks on the Lesotho Company Registry as of 16 May 2022 and 01 September 2024. We established that Selemo Capital ceased to be a shareholder on 08 June 2023. The details of the company's shareholding are summarised in the table below.

**Table 10: Summary of Creative Lab directors and shareholders**

Description	Creative Lab Business Extract – 16 May 2022 <sup>23</sup>		Creative Lab Business Extract – 01 September 2024	
<b>Incorporation Date</b>	24 December 2020			
<b>Directors</b>	Mr Mpho Brown		Mr Mpho Brown	
	Mr Ts'okolo Makeka		Mr Ts'okolo Makeka	
<b>Shareholders</b>	Selemo Investments Holdings (Pty) Ltd (Ceased: 08-Jun-2023)	525 Shares (52.5%)	Mr Jophen Kalavadakken	350 Shares (35%)
	Mr Ts'okolo Makeka	325 Shares (32.5%)	Mr Ts'okolo Makeka Mr Mpho Brown	350 Shares (35%)
	Mr Mpho Brown	150 Shares (15%)	Mr Mpho Brown	300 Shares (35%) * the percentage of shares should be 30% however we have quoted 35% as specified on the Lesotho Company Registry as at 16 May 2022

**B1.5. Work performed by Creative Lab in respect of the Dubai Expo**

5.44. During consultation with Mr Makeka, he informed us of the following:

- 5.44.1. The services of Creative Lab were procured by SMIC, and not LNDC. This version was supported by Ms Mamolise Mojaje who was the Administrator at SMIC during this time;
- 5.44.2. Creative Lab had a limited client base, consisting of only two (2) clients: SMIC and Organica Global Brands. Creative Lab was responsible for arranging travel and producing marketing materials for both SMIC and Organica Global Brands to the Dubai Expo;
- 5.44.3. Creative Lab managed the travel, accommodation and logistical arrangements of the SMIC representatives for the Dubai Expo;

<sup>23</sup> Exhibit 23 - Creative Lab Business Extract – 16 May 2022

<sup>24</sup> Exhibit 24 - Creative Lab Business Extract – 01 September 2024

- 5.44.4. Creative Lab was responsible for the creation of a promotional video promoting the business ventures of SMIC;
- 5.44.5. Creative Lab directly paid for SMIC travel expenses using the Creative Lab credit card when they arranged flights and accommodation bookings; and
- 5.44.6. Creative Lab's revenue stream from this project was a handling fee of M10,000.00.
- 5.45. During consultation with Mr Lebete, he informed us of the following:
- 5.45.1. LNDC was the main organiser of Lesotho's representation at the Dubai Expo;
- 5.45.2. LNDC appointed Creative Lab to make logistical arrangements for the Dubai trip; and
- 5.45.3. SMIC was therefore responsible for paying Creative Lab their (SMIC's) portion of the trip expenses.
- 5.46. We find the version provided by Mr Lebete that LNDC appointed Creative Lab to facilitate logistical arrangements for the Dubai Expo to be different to what Mr Makeka informed us. We reached out to Molise Ramaili who is the CEO of LNDC on numerous occasions to establish LNDC's role in the Dubai Expo, however, we received no response to our request for a meeting. We are therefore unable to conclude on this matter.
- 5.47. During our digital forensics analysis of data obtained from Mr Lebete's device we noted a copy of an invoice<sup>25</sup> number 21020 from Creative Lab dated 12 October 2021 addressed to "Mr Mojaje" with the following banking details:
- "Standard Lesotho Bank*
- Account holder: Selemo Investment Holdings*
- Account number: 908 000 7254 527"*
- (\*We consider Selemo Investment Holdings and Creative Lab as being related parties. This is discussed further in section E of this report).
- 5.48. Our analysis of the invoice identified the following expenditure items which amounts to M315,682.22. A breakdown of the expenditure is provided in the table below:

**Table 11: Summary of Creative Lab Invoice No: 21020**

Description	Quantity	Unit Cost	Amount (M)
Design & Development Dubai marketing collateral	1	35,000.00	35,000.00
Production Marketing Collateral (AYAB Invoice)	1	91,134.00	91,134.00
Promotional Video	1	50,000.00	50,000.00
Flight Booking (GOTOGATE)	2	20,583.14	41,166.28
Accommodation (Booking.com)	3	15,735.34	47,206.00
Administration and handling	1	10,000.00	10,000.00

<sup>25</sup> Exhibit 25 - Copy of Creative Lab invoice dated 12 October 2021

Description	Quantity	Unit Cost	Amount (M)
Total			274,506.28
VAT @ 15%			41,175.94
<b>Grand Total</b>			<b>315,682.22</b>

- 5.49. We inspected a copy of the SMIC Standard Bank statements (Account number: 9080001356689) for the period 03 April 2018 to 31 March 2024 and noted a payment in the sum of M315,682.22 with the description “Creative Lab – Dubai Trip” made on 13 October 2021. We have not been provided with the Standard bank contra-data and are unable to confirm whether this payment was made to the recipient’s bank account, that is, Creative Lab.
- 5.50. We understand that the SMIC Board instructed that quotations in respect of the Dubai trip be obtained and considered by the SMIC Board, prior to SMIC processing the payment of M315,682.22 to Creative Lab. It is our understanding from the Special Board meeting dated 30 September 2021, under item 2.2 “...that Management collate information on costs of the trip...”.
- 5.51. We further noted from the Creative Lab invoice the following narrative:  
*“Checked, please authorise payment. 13/10/2021”* (signature unknown to us); and  
*“Approved”* which bears the signature of Mr Moteane.
- 5.52. During consultation with Mr Sefako, he informed us that SMIC did not set any budget for the marketing of the Dubai Expo.
- 5.53. We were not provided with any SMIC Board minutes that approved the cost in respect of the Dubai trip for the amount of M315,682.22 to Creative Lab, therefore resulting to the payment being unauthorised.
- 5.54. We have not been provided with payment source documents to establish who approved the payment to Creative Lab; however, we find that the SMIC Board ought to have approved a budget considering that SMIC appointed Creative Lab. The financial implication of this cost ought to be carried by all SMIC Board members at the time of this transaction.
- 5.55. In order to substantiate the deliverables claimed by Creative Lab on their invoice, we analysed the delivery of each individually billed line item:
- Design & Development Dubai marketing collateral
- 5.55.1. No evidence was provided by SMIC to substantiate the expense; and
- 5.55.2. During our consultation with Mr Makeka, he stated that the charge pertained to the design and development of a hard copy prospectus. He further noted that AYAB, a Dubai-based company, was responsible for printing the prospectus for the Dubai Expo. Mr Makeka informed us that Mr Fanana was the main liaison with AYAB.

Production Marketing Collateral (AYAB Invoice)

- 5.55.3. No evidence was provided by SMIC to substantiate the expense;
- 5.55.4. During our consultation with Mr Makeka, he noted that AYAB produced the marketing collateral. He explained that local printing was not feasible due to logistical challenges in transporting the materials from Lesotho to Dubai, and back. Consequently, the paid-for marketing materials remained in Dubai; and
- 5.55.5. Mr Makeka provided an invoice<sup>26</sup>, dated 08 October 2021, from AYAB addressed to “M/s. Sekhametsi C/o The Creative Lab” totalling \$6,100. The invoice details charges for various marketing materials, including banners, lanyards with ID cards, customised face masks, customised T-shirts, business cards, material bags, spring loaded Boards, satin flags, installation and delivery services. The payment terms stipulate that the invoice was to be paid in full in advance.
- 5.56. Mr Makeka also provided a copy of an email<sup>27</sup> dated 13 October 2021 from Mr Makeka to Standard Bank) sent to the Standard Bank of Lesotho, with AYAB and Ms Mojaje copied, requesting the release of funds for payment to Dubai. The email, dated 13 October 2021, reads as follows:
- “Good afternoon*
- I have effect(sic) a payment of 6100 US dollars to Ayab advertising in Dubai on behalf of my client Sekhametsi Investment Consortium. Please find attached the quote and proof of payment.*
- As is procedure I am informing you as the bank that this is a legitimate transfer and request that funds be released from my account asap.*
- Kind regards”*
- 5.57. Attached to the email from Mr Makeka to the Standard Bank of Lesotho is a receipt<sup>28</sup> (AYAB Proof of Payment) confirming that Creative Lab successfully paid \$6,100.00 to AYAB.
- Promotional Video
- 5.57.1. We inspected a promotional video (which is 2minutes and 24 seconds long) posted on SMIC’s website with a link to YouTube: <https://www.youtube.com/watch?v=LGrYJQC7AUA> ; and
- 5.57.2. During consultation with Mr Makeka, he confirmed that Creative Lab designed and developed the promotional video for SMIC. We therefore confirm that a deliverable indeed exists for this line item on the invoice)
- Flight Booking (GOTOGATE)

<sup>26</sup> Exhibit 26 - AYAB Dubai Expo Invoice in USD

<sup>27</sup> Exhibit 27- Copy of email dated 13 October 2021 from Mr Makeka to Standard Lesotho Bank

<sup>28</sup> Exhibit 28 - AYAB Proof of Payment

- 5.57.3. Mr Lebete provided us with his travel itinerary which confirms the period travelled. However, we were not provided with any additional evidence to confirm the expenses related to the flights (i.e.: ticket prices etc).
- 5.57.4. Mr Makeka provided a copy of an email dated 12 October 2021 from Mr Makeka to Ms Mojaje), dated 12 October 2021, addressed to Ms Mojaje, wherein he references that Creative Lab will facilitate the travel arrangements for two (2) SMIC delegates, as well as accommodation for three delegates.

*“Good afternoon Mme,*

*I trust this finds you well. As per discussion with the lab we will gladly facilitate the travel arrangements of the two delegates. We have opted to use Bookings.com and its affiliate airline booking site GOTOGATE to book flights for 2 delegates as well as accommodation for 3 delegates at the Sheraton Mall Hotel which is where the entire private sector delegation will be staying. I have attached the online quoted costing to compliment and corroborate the invoice as far as the flight and accommodation bookings are concerned.*

*Once you have effected payment we can begin to action all the arrangements and will revert with the electronic tickets for those travelling by air as well as accommodation bookings. Please forward POP se we can book both flights and accommodation before we experience and fluctuations.*

*I trust all is in order and should you require any clarity please do not hesitate to contact me.*

*Kind regards”*

Accommodation (Booking.com)

- 5.57.5. No evidence was provided by SMIC to substantiate the expense;
- 5.57.6. Mr Makeka provided a screenshot<sup>29</sup> of the Dubai accommodation booking wherein the following details were observed:
- 5.57.6.1. Location: Sheraton Mall of Emirates Hotel, Dubai
  - 5.57.6.2. Check-in date: 25 October 2021
  - 5.57.6.3. Check-out date: 30 October 2021
  - 5.57.6.4. Three (3) adults
  - 5.57.6.5. Cost: LSL 47,206

<sup>29</sup> Exhibit 29 – Screenshot of Dubai accommodation booking received from Mr Makeka

- 5.58. We conducted a comparison between the quoted cost on the screenshot and the corresponding on-charge on the Creative Lab invoice to SMIC. Our review revealed no discrepancies, as the quoted amount matched the amount charged to SMIC.
- 5.59. We were not provided with any quotations to confirm whether SMIC tested the market for competitive prices, prior to conducting business with Creative Lab, therefore no fair procurement process was followed in the appointment of Creative Lab.
- 5.60. We therefore find that Mr Moteane and the other bank signatory did not act within the best interest of the SMIC Board and shareholders by processing payment in the sum of M315,682.22 to Creative Lab.

#### B1.6 SMIC account of Dubai expo expenditure

- 5.61. Mr Lebete provided us with an undated Microsoft Excel work sheet<sup>30</sup> titled “*BREAKDOWN OF COSTS ASSOCIATED WITH OFFICIAL TRIP TO DUBAI IN DECEMBER 2021*”. The spreadsheet provides a breakdown of the costs associated for the trip to Dubai. Below is a summary of the expenses:

**Table 12: Breakdown of Dubai Expo 2020 trip**

Details	Supplier/Director	Date	Invoice No.	Amount (M)
Design and Development Dubai marketing collateral	The Creative Lab	12/10/2021	21020	35,000.00
Production Marketing - Banners, t-shirts (AYAB UE)				91,134.00
3 minutes Promotional Video				50,000.00
Flight Booking for two Directors				41,166.28
Accommodation for three Directors				47,206.00
Handling Fee				10,000.00
Subtotal				274,506.28
Value Added Tax ("VAT")				41,175.94
<b>Total [Creative Lab]</b>				<b>315,682.22</b>
Food, transport, covid tests and per diem	SMIC: Moteane	10/12/2021	N/A	19,250.00
	SMIC: Lebete			19,250.00
	SMIC: Sefako			19,250.00
SMIC Contribution to Host - Lesotho Participation in Dubai EXPO 2020 High-level Business Roundtable	LNDC	21/10/2021	N/A	180,000.00
<b>Grand Total</b>				<b>553,432.22</b>

- 5.62. We enquired from Mr Lebete whether the above Microsoft Excel worksheet was a budget prepared prior to the trip to Dubai or a reconciliation after the fact of all costs associated with the trip and he evaded the question and did not provide us with a conclusive answer to our question.

<sup>30</sup> Exhibit 30 – Copy of undated Microsoft worksheet

- 5.63. During our analysis of the MS Excel spreadsheet, we noted from our review of the metadata that the true creation date of the Microsoft Excel worksheet was 16 March 2022 which is approximately five (5) months after the payment of M315,682.22 was processed to Creative Lab.
- 5.64. We therefore find the Microsoft Excel spreadsheet is a consolidation of the expenses associated with the trip to Dubai and not a cost estimate prepared in anticipation of the trip to Dubai, as requested by the SMIC Board at the meeting of 30 September 2021.

5.65. During our consultation with Mr Moteane, he informed us that all details related to the trip were discussed by the SMIC Board and although there was no budget drawn up prior to the trip, the trip was deemed as a good networking opportunity to showcase SMIC therefore budget considerations were not a top priority.

**B1.7. Per Diem for Trip to Dubai Expo**

5.66. We inspected a copy of the SMIC Standard Bank statements (Account number: 9080001356689) for the period 03 April 2018 to 31 March 2014 and noted three (3) separate payments of M19,250.00 being paid to the SMIC Dubai Expo delegation on 21 October 2021.

5.67. Mr Lebete informed us that the SMIC delegation for the trip was provided with M19,250.00 per diem which he understood was intended to cover subsistence and incidental costs in Dubai.

5.68. We enquired from Mr Lebete how the per diem amount of M19,250.00 was determined and he informed us of the following:

- 5.68.1. According to government guidelines, there is a full per diem rate which covers meals and accommodation;
- 5.68.2. There is also a 50% per diem rate, for which accommodation is not included; and
- 5.68.3. According to Mr Lebete, the Dubai delegation was provided with the 50% per diem rate which was slightly increased. Mr Lebete did not provide us with any documentary evidence of the increased per diem rate as alluded to.

5.69. Mr Moteane informed us that the per diem amount allocated was the prevailing amount for other organisations similar to SMIC and that the amount was meant to meet the expenses of the trip delegates. Mr Moteane further informed us that the amount was insufficient, and the delegation had to pay out of pocket for most expenses during their visit. Mr Lebete and Mr Sefako both echoed the same sentiments that the M19,250.00 was insufficient.

5.70. We re-calculated the per diem of M19,250.00 per Board member that equates to approximately M3,208.33 per night (M19,250.00 / 6 nights) when converted to AED 791.40 per night (average exchange rate for the period 26 October 2021 to 29 October 2021 is 1 AED equals M4.054).

- 5.71. Mr Lebete, Mr Sefako and Mr Moteane did not provide us with any legislative guideline which informs the acceptable amount in per diem rates that may be claimed by Lesotho residents when travelling to other countries.
- 5.72. We performed an independent search and noted that the Lesotho Government Gazette (Legal Notice No. 48 of 2023)<sup>31</sup> makes provision for payment of per diems to government officials only. This therefore implies that the per diem provisions in the Gazette is not applicable to SMIC as it is a privately owned entity. We also noted that SMIC has no policies governing foreign travel and related subsistence allowances.
- 5.73. We were therefore unable to conclusively determine whether the amount claimed for the per diems by the SMIC delegation was justified.

**B1.8. SMIC Offer Letter to Verve Dynamics**

- 5.74. We inspected a copy of a conditional offer letter addressed to Mr Richard Davies (“Mr Davies”) dated 30 November 2021<sup>32</sup> (signed by Mr Lebete in his capacity Chairman of the SMIC Board). The offer is presented on SMIC’s letterhead and outlines SMIC’s interest in acquiring interest in VDI. Details in respect of the offer letter is elaborated further on below.
- 5.75. During consultation with Mr Lebete, he informed us that he was first introduced to Mr Davies who is the CEO of VDI during the Dubai Expo when VDI presented during the roundtable discussions (28 October 2021) marketing VDI and the potential opportunities for investors to acquire shareholding in VDI.
- 5.76. During consultation with Mr Moteane, he informed us of the following:
- 5.76.1. He knew about VDI long before the meeting convened by LNDC and was aware that the company focused on phyto extraction for medicinal purposes;
  - 5.76.2. Mr Moteane also informed us that he knew VDI’s company composition and met the Directors of VDI on the flight to Dubai;
  - 5.76.3. Mr Moteane informed us that he had a discussion with VDI on the flight to Dubai and was thereafter convinced that SMIC should consider investing in VDI;
  - 5.76.4. Mr Moteane requested Mr Sefako and Mr Lebete to meet with VDI when they landed, and it was clear to them that VDI was a lucrative investment opportunity for SMIC;
  - 5.76.5. Mr Moteane informed us that the reason why he deemed the investment in VDI to be necessary was primarily due to the fact that the telecoms market had matured and SMIC’s biggest “*cash-cow*” (Vodacom Lesotho) was experiencing a decline in market growth as well as a decrease in dividends; and

<sup>31</sup> Exhibit 31 - Lesotho Government Gazette (Legal Notice No. 48 of 2023)

<sup>32</sup> Exhibit 32 – SMIC conditional offer to VDI dated 30 November 2021

- 5.76.6. Mr Moteane deemed it necessary for SMIC to diversify its investment portfolio.
- 5.77. During consultation with Mr Sefako, he echoed the same sentiments and stated that SMIC (as an investment consortium) was not actively seeking investment opportunities as it should and was very conservative in its approach to investing.
- 5.78. Mr Moteane informed us that there were subsequent discussions with VDI after Dubai and he was part of the Board delegation that visited the VDI plant in Cape Town on a site visit. According to Mr Moteane, the purpose of the site visit was to appreciate VDI’s capabilities in phyto extraction.
- 5.79. During consultation, Mr Lebete informed us of the following:
- 5.79.1. A SMIC delegation travelled to VDI’s sister company in Cape Town;
- 5.79.2. He did not accompany the SMIC delegation to Cape Town;
- 5.79.3. He was unable to confirm when the delegation travelled to Cape Town; and
- 5.79.4. He was also unable to confirm how many Board members were in attendance.
- 5.80. From our review of the minutes of the SMIC Board meetings provided, we found no reference nominating a delegation to travel to Cape Town, neither is there any reference on the purpose of the site visit and the subsequent findings or report from the delegation who travelled to the VDI office in Cape Town.
- 5.81. We performed independent background checks on Verve Dynamics Incorporated (Pty) Ltd (VDI sister company based in Cape Town), and noted that the company has the following registered address and directorship:

**Table 13: Background search on Verve Dynamics Incorporated (Pty) Ltd**

No	Entity Name	Entity registration number	Registered address	Active Directors	Entity Status
1	Verve Dynamics Incorporated (Pty) Ltd	2017/117627/07	Unit 5 Fish Eagle Park, Ou Paardevlei Road, Somerset West, Western Cape, 7130	<ul style="list-style-type: none"> <li>Richard Paul Davies</li> <li>Cindy Hollard</li> </ul>	In Business

- 5.82. We inspected a copy of the SMIC Standard Bank statements (Account number: 9080001356689) for the period 03 April 2018 to 31 March 2024 and noted that M17,750.00<sup>33</sup> was paid in respect of expenses incurred by SMIC Board members for travelling to Cape Town. A breakdown of these costs is provided in the table below:

<sup>33</sup> Exhibit 33: SMIC Standard Bank statements (Account number: 9080001356689) for the period 03 April 2018 to 31 March 2014

**Table 14: Summary of Cape Town expenses**

No	Entity	Bank	Account Number	Date	Description	Amount (M)
1	SMIC	STD	9080001356689	03/11/2021	000001812099 IBANK/CAPETOWN TRIP-5 DIRECTORS MATJATO NEO MOTEANE	13,750.00
2	SMIC	STD	9080001356689	12/11/2021	000001818195 IBANK/REFUND FOR CAR HIRE CPT MATJATO NEO MOTEANE	4,000.00
<b>Total</b>						<b>17,750.00</b>

- 5.83. We noted the following in respect of the expenses associated to the trip to Cape Town:
- 5.83.1. The payments made by SMIC were between 03 November 2021 and 12 November 2021 which is shortly after the SMIC delegation returned from Dubai;
  - 5.83.2. Our analysis in respect of the bank statement noted the description on the bank statement, which indicates that five (5) “DIRECTORS” travelled to Cape Town;
  - 5.83.3. We were not provided with any evidence that the SMIC Board approved that a trip be undertaken to Cape Town and that five (5) Board members be delegated to represent SMIC to VDI’s sister company in Cape Town; and
  - 5.83.4. We were not provided with any evidence of what the payment in respect of the M17,750.00 relates to. We are also unable to identify any other Cape Town related expenses from the bank statements inspected.
- 5.84. During consultation with Mr Sefako, he informed us that VDI hosted the SMIC delegation, and the flight costs were carried by the host, being VDI.
- 5.85. Mr Lebete also informed us that on two other occasions subsequent to the 2020 Dubai Expo, VDI presented to the SMIC Board and said presentations led to SMIC preparing a conditional offer to VDI for the acquisition of 25% shareholding.
- 5.86. We inspected the minutes of the Board meeting held on 25 March 2022<sup>34</sup>, and noted from item 3.1 (bullet 6) that “Presentations on these potential investments were done in Dubai, Ribaneng SMIC Strategic session, Bela-Bela and Cape Town facility tours”. The minutes are silent regarding the dates of the various presentations and travel.

<sup>34</sup> Exhibit 34 – Copy of board meeting minutes 25 March 2022

5.87. The above minutes confirm that the SMIC Board had numerous engagements with VDI leading up to the 25% acquisition in VDI.

**B1.9. Analysis of SMIC's offer letter to VDI**

5.88. We inspected a copy of the conditional offer letter dated 30 November 2021. The offer is presented on SMIC's letterhead and outlines SMIC's interest in acquiring a 25% stake in VDI. From our inspection of the offer letter, we noted the following key terms:

5.88.1. SMIC was expressing interest in acquiring a 25% shareholding in VDI which translated to voting and equity ordinary share capital;

5.88.2. According to paragraph 2(c) of the offer letter, the injection of equity capital will be directly invested into the company to "*further the financing of Phase 1 and Phase 2 and unburden the business from any shareholder loans and/or credit*". The offer does not outline the quantum of the shareholder loans and/credit;

5.88.3. According to paragraph 3(a) of the offer letter, VDI was valued at M580 million by an "*Independent Valuation Report*". The offer letter is silent in respect of which entity performed the valuation, and the report is not annexed to the offer letter itself. We therefore have no information regarding which independent valuation report is being referred to;

5.88.4. According to paragraph 3(b) of the offer letter, the 25% share that SMIC was expressing interest in acquiring is worth M145 million;

5.88.5. According to paragraph 3(c) of the offer letter, the current VDI capital shareholding is split between Cann Invest Africa ("CIA") who owns a 60% share and Matekane Group of Companies ("MGC") who owns a 40% share in VDI. The existing shareholding was to be diluted "*Parri Passau*"(sic) to accommodate SMIC's equity participation;

5.88.6. We understand *pari passu* to be a split on equal footing, meaning that the existing shareholders (CIA and MGC) would each have to cede 12.5% of their shareholding to account for SMIC's 25% shareholding;

5.89. We noted from paragraph 4(a) of the offer letter that the offer was subject to the fulfilment of following conditions:

Condition No 1

5.89.1. Submission of an independent Valuation Report by VDI within 14 days of the offer;

Condition No 2

5.89.2. The satisfactory conclusion of comprehensive legal, technical, operational, environmental and financial due diligence conducted by SMIC (No later than 90 working days); and

Condition No 3

- 5.89.3. The execution of formal negotiations and shareholders agreement – no later than 28 working days after conclusion of the due diligence.
- 5.90. We noted that the offer letter was signed off by Mr Lebete in his capacity as Chairman of SMIC 30 days after attending the 2020 Dubai Expo.
- 5.91. During consultation with Mr Lebete, he informed us that the offer was prepared by the three (3) directors who attended the Dubai Expo 2020 (Mr Lebete, Mr Moteane, and Mr Sefako) in consultation with Advocate Limpho Maema (“Adv Maema”).
- 5.92. Mr Lebete also informed us that at the time when the offer letter was prepared, SMIC Board had no plans as to how the M145 million would be raised, however, efforts were being made to secure a loan with the banks and also sell 5% of SMIC’s shares in Vodacom Lesotho to the Lesotho Pension Fund for M200 million in order to finance the VDI deal.
- 5.93. During our interview with Mr Moteane, he also confirmed the aforementioned narrative and informed us those negotiations with Lesotho Pension Fund was the only avenue being pursued to fund the VDI deal.
- 5.94. Mr Moteane further informed us that the banks were not interested in acquiring Vodacom Lesotho shares. We enquired from Mr Moteane whether it was sound business practice to bind SMIC contractually with an offer letter before securing the funds required to finance the VDI deal and he informed us that in retrospect, it was a “*misstep*” to bind themselves contractually before securing the funds.
- 5.95. It is well established that the negotiations with the Lesotho Pension Fund were unsuccessful. Mr Moteane informed us that the reason for this is because SMIC shareholders were protecting their personal and individual interests and not considering the interests of SMIC as a whole.
- 5.96. Mr Sefako echoed the same sentiments and informed us that SMIC is being operated as a “*stokvel*” in that there are minimal investment opportunities being pursued in the manner in which an investment consortium ought to be.
- 5.97.** We reviewed the SMIC 2021 Annual Financial Statement report<sup>35</sup> and noted that at this point in time SMIC had low cash reserves (M393,861 cash balance). SMIC was therefore not in a financial position to endorse the VDI deal in its entirety (M145 million) from readily available cash resources.
- 5.98. We find that the four (4) Board members (Mr Lebete, Mr Sefako, Mr Moteane and Adv Maema) did not act within the best interest of SMIC by presenting an offer to VDI prior to consultation with the entire Board, therefore committing to financial undertakings without a confirmed and approved source of funding.

**B1.10. Forvis Mazars assessment of Condition No 1 - Offer Letter**

<sup>35</sup> Exhibit 35 - SMIC 2021 Annual Financial Statement report

- 5.99. The offer letter is silent in respect of which entity performed the valuation, and the report is not annexed to the offer letter itself. We therefore have no information regarding which independent valuation report is being referred to.
- 5.100. Mr Lebete provided us with the following two (2) separate valuation reports:
- 5.100.1. A Microsoft Excel document titled "*Verve Dynamics Inc Selemo FORECAST MODEL latest December 2021*"<sup>36</sup> ("Selemo Capital report") dated 23 December 2021, prepared by Selemo Capital; and
- 5.100.2. A PDF document titled "*Replacement Cost Valuation of Verve Dynamics Botanical Extraction Plant*"<sup>37</sup> ("Inani report") dated 02 January 2021 prepared by Inani Valuers.
- 5.101. According to Mr Lebete, the M276,200,000 property valuation (performed by Inani Valuers) forms part of the overall valuation of VDI (performed by Selemo Capital) which was capped at M580,000,000.
- 5.102. We enquired from Mr Lebete whether the first condition of the offer was fulfilled, and he informed us that based on the two (2) independent reports conditions were met (Inani report and Selemo Capital report).
- 5.103. The below sections expand on the two (2) independent reports:
- B1.11. Inani report**
- 5.104. According to Mr Lebete, an independent valuation of the property, plant and equipment at the VDI plant in Berea, Lesotho was performed by a company based in Pretoria named Inani Valuers. Inani Valuers valued the property at M276,200,000.
- 5.105. We reviewed a copy of a valuation report dated 02 January 2021 prepared by Inani Valuers titled "*Replacement Cost Valuation of Verve Dynamics Botanical Extraction Plant*" ("Inani report") and noted that Inani Valuers was instructed by the CEO of VDI (Mr Richard Davies) to perform the valuation of Verve Dynamics Botanical Extraction Plant, in Berea, Lesotho.
- 5.106. According to the Inani report, the date of inspection of the premises was 06 November 2020 to 07 November 2020 (almost one year prior to the offer letter to VDI). The extent of the property is listed at ± 4.6700 Hectares. The Registered Lessor/s is listed as MGC Properties (Pty) Ltd ("MGC Properties").
- 5.107. We performed independent background searches using Lesotho's Company Registry and noted that MGC Properties (which was deregistered in 2016) had two directors being: Mr Matekane and Ms Thato Judith Matekane ("Ms Matekane").
- 5.108. It is noteworthy that the MGC Properties was deregistered in 2016, which raises the questions as to who the rightful owner/lessor of the property is and who receives the so-called lease payments. We find that the due diligence committee failed to perform an adequate due diligence in respect of the Inani report

<sup>36</sup> Exhibit 36 – Copy of Discounted Cash Flow Valuation model

<sup>37</sup> Exhibit 37 - Copy of valuation report prepared by Inani Valuers dated 02 January 2021

as the registered Lessor/s of the property is listed as MGC Properties, an entity that was deregistered four (4) years prior to the report being compiled.

- 5.109. We noted from the Inani report that the property was valued at a total of R276,200,000 which comprised of the following:

*“Land value: R3,520,000*

*Buildings and Site Works: R84,239,904*

*Biological Stock: R20,479,060*

*Plant and Machinery: R168,005,322”*

- 5.110. According to Mr Lebete, the first condition (submission of an independent Valuation Report by VDI within 14 days of the offer) of the offer was fulfilled prior to the conclusion of the offer letter. We find it unusual that terms which have already been fulfilled were incorporated into the offer letter and presented as terms that were still pending and/or in progress.
- 5.111. We find that the Inani report precedes the offer letter by approximately 11 months (02 January 2021 versus 30 November 2021), and it only addresses aspects related to the property amounting to M276,200,000.00. The Inani report only accounts for 47% of the value of VDI as a whole.
- 5.112. The Inani report long precedes any engagement regarding SMIC’s acquisition in VDI, therefore Mr Lebete’s explanation that condition no. 1 of the offer letter was met, is not accurate and unsupported.

**B1.12. Selemo Capital report**

- 5.113. Mr Lebete further informed us of the following:
- 5.113.1. The independent valuation of VDI was prepared by “*Selemo Capital*”;
- 5.113.2. Selemo Capital projected VDI’s value and forecasted its growth over a period of 15 years (2023 to 2037);
- 5.113.3. Selemo Capital utilised the Discounted Cash Flows valuation model to value VDI and determined its equity value at M1,498,153,311;
- 5.113.4. Mr Lebete informed us that the valuation was “*capped*” at M580,000,000, however, he did not provide us with reasoning as to why the amount was capped at this figure; and
- 5.113.5. We reviewed an email <sup>38</sup> dated 23 December 2021 from Mr Fanana Mlambokatzi (“Mr Mlambokatzi”), promoter of the VDI deal, addressed to Mr Lebete, Mr Sefako, and Mr Moteane, the emails states that the valuation will be capped at M580,000.000 based on

<sup>38</sup> Exhibit 38 - Copy of email from Mr Fanana to SMIC delegation dated 23 December 2021

previous discussions. We were not provided with any subsequent information as to why the valuation was capped at M580,000,000 nor a record of the discussions.

- 5.114. We also noted that the email from Mr Mlambokatzi dated 23 December 2021 had an attachment which is a Microsoft Excel document titled "*Verve Dynamics Inc Selema FORECAST MODEL latest December 22021*" which we inspected.
- 5.115. We performed an analysis of the forecast model spreadsheet and identified the following deficiencies from the model (the following are observations by Forvis Mazars in respect of the basic requirements of a Discounted Cash Flow Model – our analysis is limited to the spreadsheet as is):
- 5.115.1. The cash flow projections indicate zero debt on hand;
  - 5.115.2. VDI presentation indicates debt on books at M150 million;
  - 5.115.3. The Forecast Revenue (5-year Compound Annual Growth Rate) is set at 10%, however there is no indication of how this percentage was arrived at;
  - 5.115.4. There is a 237% Compound Annual Growth Rate over 5 years from March 2022 and a 47.97% Compound Annual Growth Rate over 4 years from March 2023 to March 2027, and no indication of how the percentages were arrived at;
  - 5.115.5. We noted short and long-term debt at M150,506,893 and yet a cost of equity is assumed. The short and long-term debt should have been modelled in the cash flows if there is pure equity cash flow;
  - 5.115.6. The forecast has no specific risk premiums, and it is not clear how the uncertainty and aggressive forecasts been considered in the discount rate;
  - 5.115.7. The forecasted revenue is very aggressive and not based on any facts. As stated in the Due Diligence report, letters of intent are not a valid argument for the projected revenue. There would have been a need to acquire proof of inspection of contracts and purchase orders at the very least;
  - 5.115.8. There is no evidence what analysis was done on the input costs and resultant gross profit margins given the lack of history and the statement in the Due Diligence report indicating that this will be one of the world's lowest costs of production;
  - 5.115.9. There is no indication of what the operating expenses were benchmarked against, furthermore, there is no indication whether the operating expenses were these flexed appropriately given the large growth forecasts;
  - 5.115.10. There is no indication of what the "*other intangibles*" relate to and how they were verified;
  - 5.115.11. The forecast indicates no inventory or major receivables until March 2028. Based on this and the payables below, the balance sheet appears to indicate a lack of operations until March

2028, whereas the income statement has massive projections (as shown in the revenue increase). The two statements do not talk to each other from an operational perspective;

5.115.12. The trade and other payables projections seem incorrect as it assumes that most CAPEX creditors will be paid in the first year and that there aren't many operational creditors until March 2028;

5.115.13. There appears to be no maintenance of CAPEX to account for running down of assets. A business of this size will require maintenance CAPEX;

5.115.14. There is an implication that SMIC investment will settle debt (Offer Letter confirms that SMIC's capital injection would settle shareholder loans); and

5.116. VDI presented an income forecast schedule of potential customers which is redacted<sup>39</sup> to conceal the names of the potential customers in question, therefore implying that the VDI customer base was unknown to the Due Diligence Committee.

**B1.13. Forvis Mazars assessment of Condition No 2**

5.117. Mr Lebete provided us with a Microsoft Office Word document dated March 2022 titled "*SEKHAMETSI INVESTMENT CONSORTIUM BOARD MEETING – MARCH 2022*". Mr Lebete informed us that this document is a due diligence report<sup>40</sup> which, according to him, was prepared by a due diligence sub-committee of the Board comprising of the following SMIC Board members:

5.117.1. Mr Leboela Lebete;

5.117.2. Mr Palo Kotelo;

5.117.3. Mr Lerotholi Seeiso; and

5.117.4. Ms Lintle Thamae.

5.118. We reviewed the properties of the due diligence report and noted that the document was created on 23 March 2022.

5.119. According to Mr Lebete, the due diligence sub-committee was formed to perform a comprehensive due diligence on VDI in order to provide findings and make a recommendation as to whether SMIC may go ahead and acquire a 25% stake in VDI or decline the acquisition. It is our understanding that the due diligence report ought to address the following aspects as stated condition no. 2, paragraph 4(a)(ii) of the offer letter, which states:

*"The satisfactory conclusion of comprehensive legal, technical, operational, environmental and financial due diligence conducted by SMIC (No later than 90 working days)"*

<sup>39</sup> Exhibit 39 – Copies of redacted schedule of potential customers and off take agreements

<sup>40</sup> Exhibit 40 - Copy of VDI Due Diligence Report dated March 2022

5.120. We reviewed the SMIC Board minutes dated 25 March 2022<sup>41</sup> and noted that the Board accepted the due diligence report and approved the finalisation of the investment deal, paragraph 3.1 bullet no 17 of the minutes states the following:

*“The report is accepted and the finalization of the investment deal approved by the Board...”*

5.121. We also reviewed a PDF document titled “SMIC board resolution 04/2022”<sup>42</sup> which states that the Board was satisfied that investing in VDI is a good investment opportunity. SMIC Board also noted the due diligence report and resolved to proceed with further negotiations to conclude the investment. The aforementioned resolution was signed off by the following six (6) Board members:

5.121.1. Leboela Lebete (Chairman);

5.121.2. Naledi Maphathe;

5.121.3. Palo Kotelo;

5.121.4. Limpho Masekese Maema;

5.121.5. Lerotholi Seeiso; and

5.121.6. Lintle Thamae.

5.122. During consultation with Mr Lebete, he informed us that the Board acted well within its authority and did not require approval from the SMIC Shareholders when deciding to invest in VDI due to the fact that the sum of the investment (M145 million) falls below the threshold of 25% of the total assets of SMIC. According to Mr Lebete, the investment in VDI is not deemed a “major transaction” as defined by the Lesotho Companies Act.

5.123. We inspected The Lesotho Companies Act and noted under definitions that a “major transaction” is defined as:

*“(a) the acquisition of, or an agreement to acquire, whether contingent or not, assets, excluding current assets, equivalent to 25 percent or more of the assets, excluding current assets, of the company before its acquisition”*

5.124. Paragraph 61(1) of the Lesotho Companies Act states:

*“A company shall not enter into a major transaction unless the transaction is approved by special resolution or contingent upon the approval of the shareholders by special resolution”*

5.125. We inspected a signed copy of SMIC’s 2021 Annual Financial Statements (signed on: 30 March 2022) and noted that the total non-current assets were at M1,247,268,749.00.

<sup>41</sup> Exhibit 41 - Copy of SMIC Board minutes dated 25 March 2022

<sup>42</sup> Exhibit 42 - Copy of SMIC Board resolution 04/2022

- 5.126. It should be noted that 25% of the total non-current assets amounts to M311,817,187.25 which is more than the M145,000,000.00 required for the VDI investment. We therefore find that the SMIC Board did not require approval from the SMIC shareholders to invest in VDI as the sum of the deal was within the threshold of 25%.
- 5.127. Mr Lebete informed us that the Lesotho Companies Act states that directors of a company generally have the authority to make day-to-day decisions, including certain investment decisions, without consulting shareholders.
- 5.128. We inspected the Lesotho Companies Act and noted that paragraph 59(1) states the following (which supports Mr Lebete's assertion above):
- "The business and affairs of a company shall be managed by, or under the direction or supervision of the Board of the company, which shall have all the powers necessary for managing, directing and supervising the management of the business and affairs of the company, subject to modifications, exceptions or limitations in accordance with the articles of incorporation"*
- 5.129. Mr Moteane and Mr Sefako echoed the same sentiments that the Board acted well within its authority and did not require approval from the SMIC Shareholders when deciding to invest in VDI. The SMIC Board did not require the approval from the SMIC Shareholders in previous investment opportunities and the investment in VDI was not different when SMIC bought out the majority shareholder in Vodacom Lesotho.
- 5.130. During consultation with Ms Litle Thamae ("Ms Thamae") who is a former SMIC Board member, she informed us that the SMIC Board tabled the investment of VDI as an agenda item for the 2022 AGM in order for the SMIC shareholders to ratify the investment in VDI. However, this did not materialise as the Board was not allowed an opportunity to present the VDI investment.
- 5.131. During consultation with current and previous SMIC Board members as well as the Supervisory Team, we were informed that SMIC does not have any policies which outline investment guidelines or any Delegation of Authority ("DOA") which outlines approval thresholds. Furthermore, there are no standard operating procedures outlining investment procedures.
- 5.132. We therefore find that the allegation presented by the Shareholders that the due diligence report was prepared after the fact to be inaccurate and unsupported.

**B1.14. Forvis Mazars analysis of the March 2022 due diligence report prepared by SMIC**

- 5.133. During our review of the due diligence report prepared by the due diligence team, we noted the following inconsistencies:
- 5.133.1.** The report indicates that SMIC should acquire the 25% stake in VDI based on the growth potential depicted by the *"financial statements and projections submitted"*, however there is no

indication of a commercial assessment being undertaken. The growth in revenue should have been broken down into segments to easily understand the > 9000% increase in revenue;

- 5.133.2. The report states that the land with buildings, plant and machinery as well as biological stocks have M276 million attached to them as the replacement cost (according to the Inani Report). However, there is no indication of whether a feasibility study was conducted to test the soil quality and crop generation capacity;
- 5.133.3. Paragraph 4.2 of the report states that VDI has a business pipeline amounting to M182,555,100.00 for the year ending 2022/23. It appears that this was determined from the letters of intent and there were no signed contracts or purchase orders in place. If the pipeline is based solely on letters of intent, there is no indication of what percentage discount was applied to the revenue projections (i.e., a probability weighting to assess the true revenue projections);
- 5.133.4. The growth rate is regarded as “conservative” at 10% in the report. The forecasted growth model is at 9005%, 137%, 25%, 34% and 20% in the explicit period. Having a stable 10% growth period after a highly aggressive explicit 5-year period is not considered conservative;
- 5.133.5. There is an indication in the report that the total value for the purpose of acquisition has been capped at M580 million, however there is no indication in the report as to why the value was capped and the thought process followed to determine the capped figure;
- 5.133.6. The report states that “The industry and completion analysis reflect very insignificant challenge bearing in mind that the cannabis industry is still at infancy stage” however there is no additional information provided regarding who performed the analysis and what was considered. There is no detail in respect of the considerations on barriers to entry, competitors, customer churn, customer uptake, quality of product and end-user demand etc. All the aforementioned factors should feed into the forecast. The commercial due diligence should have been performed by an independent expert who would have taken key factors into consideration;
- 5.133.7. The report further states that “Given the abundant natural resources and their collective expertise and that of their partners, Verve is poised to become one of the lowest-cost producers of medical cannabis extracts in the world”. However, there is no research or evidence to support this statement;
- 5.133.8. The valuation summary portion of the report incorrectly states that the fair market value of 100% equity interest in VDI is “M1,306,300, 962.29 million”. This figure should be “billion”;
- 5.133.9. The report indicates that “the 25% interest that may be acquired by Sekhametsi translate to M362, 575, 240.50. These values are derived from the use of Dividend Valuation Model (“DVM”) with the formula being used on 5-year period assuming 10% growth rate and the

*required rate of return being 22.5%*". A DVM in this instance is highly subjective as there is no history of dividend payouts, no mention of any dividend policies, the growth rate is not backed up by any tangible data and the base dividend has no rationale;

5.133.10. According to the report, a Discounted Cash Flow Method has been used and *"These cash flows are discounted by an appropriate discount rate to determine the market value of the business. Because we are dealing with cash flows available for all shareholders, the appropriate discount rate is calculated at the required rate return (the cost of equity)"*. Since a cost of equity (discount rate) is used, it is low considering there is no historical data on what appears to be aggressive forecasts. There is no indication of what specific risk premium was used to determine this discount rate;

5.133.11. The report states that the company value derived using the model is *"M1, 498, 153, 311,331"*, however this is incorrect as it does not tie in with the amount of stipulated in the discounted cash flow model; and

5.133.12. The report states that one of the unused valuation methods is the Earnings Methods as it is *"not relevant as it requires the use of the market values"*. Through our independent analysis, we have determined that considering the lack of financial information, the Earnings Method would have been a better method to look through from a minority perspective as there are enough peers globally to warrant a market approach valuation.

**B1.13. Forvis Mazars assessment of Condition No 3:**

5.134. Condition no 3 of the offer letter requires, *"The execution of formal negotiations and shareholders agreement – no later than 28 working days after conclusion of the due diligence"*.

5.135. Mr Lebete informed us that the timelines within which the due diligence ought to have been performed in accordance with the offer conditions were adhered to. Below is a summary of the deadline for each condition set out in the offer letter and an indication of whether or not it was met timeously:

**Table 15: Summary of 3 conditions and whether each condition was met timeously**

Condition	Comments	Deadline
Submission of an independent Valuation Report by the Vendor within 14 days of this offer	Condition met	14 December 2021
Satisfactory conclusion of a comprehensive legal, technical, operational, environmental and financial due diligence conducted by SMIC...within/ no later than a period of 90 working days	Condition met within 90 days	28 February 2022 5 April 2022

Condition	Comments	Deadline
Execution of formal negotiations and shareholders agreement...by no later than 28 working days after conclusion of the due diligence	Condition met within 28 days	17 May 2022

**B1.15. VDI Presentation**

5.136. We inspected and undated VDI presentation<sup>43</sup> provided to us by Mr Lebete. According to Mr Lebete, VDI’s business plan was presented to the SMIC Board sometime during February 2022 (he cannot recall exactly when).

5.137. During our review of the presentation document, we noted the following:

5.137.1. Phase 1 refers to a “full drug operator license”.

5.137.1.1. The license is granted for a ten (10) year period which is renewable yearly.

5.138. During consultation with Mr Lebete, he informed us that the SMIC due diligence committee have had no sight of the license in question. We find that the SMIC Board did not adequately interrogate the licensing of VDI as alluded to by Mr Lebete.

5.138.1. Phase 2 refers to “establishment of a finished product manufacturing facility”;

5.138.1.1. Phase 2 financial requirements estimated at M49 million (CAPEX M35 million & OPEX M14 million - for the initial set up stage and R&D stage).

5.139. It is our understanding that M49 million would have been dedicated towards CAPEX and OPEX requirements, and the remaining M96 million would have been utilised to settle related party loans. We find that the presentation makes no mention of the shareholder loans or settlement of loans to VDI directors.

5.140. We inspected an undated PDF document<sup>44</sup> recorded on a VDI letterhead outlining VDI shareholders’ loans and identified that the total loan amount payable by VDI to shareholders and directors as M129,930,339.00, with senior debt comprising of M90,000,000.00.

**B1.16. Shareholder Agreement and Share Subscription Agreement**

5.141. We inspected a copy of a Shareholder Agreement<sup>45</sup> concluded between SMIC and VDI with the last signature dated 16 May 2022. Our review identified the following key terms of the agreement:

<sup>43</sup> Exhibit 43 - Undated VDI presentation

<sup>44</sup> Exhibit 44 – Copy of undated document outlining VDI shareholders’ loans

<sup>45</sup> Exhibit 45 – Copy of Shareholders Agreement signed 16 May 2022

5.141.1. The four (4) parties to the agreement are outlined as:

5.141.1.1. Matekane Group of Companies (Pty) Ltd;

5.141.1.2. Cann Invest Africa (Pty) Ltd;

5.141.1.3. Sekhametsi Investment Consortium Ltd; and

5.141.1.4. Verve Dynamics Incorporated (Pty) Ltd.

5.141.2. SMIC subscribes to 25% of shares in VDI which is 100 shares in total for the subscription price of M145,000,000.00

5.141.3. The agreement also states that a total of 400 shares in issue to be allocated as follows:

**Table 16: Total shares in issue after purchase by SMIC**

Entity Name	Number of shares in issue	Percentage of shares in issue
Matekane Group of Companies (Pty) Ltd	153 shares	38.25%
Cann Invest Africa (Pty) Ltd	147 shares	36.75%
Sekhametsi Investment Consortium Ltd	100 shares	25.00%

5.141.4. The agreement was signed off by Mr Lebeta as the “Duly authorised” signatory on behalf of SMIC. It was also signed off by the following parties to the agreement:

5.141.4.1. Matekane Group of Companies (Pty) Ltd – it is unclear who the signatory is;

5.141.4.2. Cann Invest Africa (Pty) Ltd – it is unclear who the signatory is;

5.141.4.3. Verve Dynamics Incorporated (Pty) Ltd – it is unclear who the signatory

5.141.4.4. We also noted that there are two signatures at the end of the page with the names: M.N Moteane and M.C Matekane.

5.142. We inspected a copy of a Subscription Agreement<sup>46</sup> (Annexure A to the Shareholder Agreement) concluded between SMIC and VDI with the last signature dated 16 May 2022 and noted the following key terms of the agreement:

5.142.1. According to the subscription and payment schedule (Annexure 1), SMIC was responsible for making payments to purchase their 25% share in VDI in four (4) tranches as set out below:

<sup>46</sup> Exhibit 46 – Copy of Subscription Agreement dated 16 May 2022

**Table 17: Subscription and payment schedule**

Subscription Date	Tranche of subscription shares	Subscription Price (M)
3 June 2022	10	14 500 000
31 July 2022	21	30 500 000
31 August 2022	35	50 000 000
30 September 2022	34	50 000 000
<b>Total</b>	<b>100</b>	<b>145 000 000</b>

5.142.2. According to paragraph 5.2 of the Subscription Agreement, the account number to which the payments were to be made is: 9080006034388, which is VDI's Standard Lesotho Bank account.

5.142.3. According to the Subscription Agreement, the purpose of the subscription price was the following:

- 5.142.3.1. Funding of working capital requirements;
- 5.142.3.2. Settling existing amounts owing by VDI;
- 5.142.3.3. Equipping and setting up facility in Bela Bela (Berea Lesotho); and
- 5.142.3.4. Matekane Group of Companies ("MGC") for construction services for the facility.

5.142.4. The purpose of the Subscription Agreement does not align with the terms as captured in the above paragraph;

5.142.5. During consultation with Mr Lebete, he informed us that although the wording in the offer letter and the shareholders agreement differs (particularly as it relates to the purpose of SMIC's investment in VDI) he understood the objective of SMIC's acquisition to be the same;

5.142.6. The subscription agreement was signed off by Mr Lebete as the "Duly authorised" signatory on behalf of SMIC. It was also signed off by the following parties to the agreement:

- 5.142.6.1. Matekane Group of Companies (Pty) Ltd – it is unclear who the signatory is;
- 5.142.6.2. Cann Invest Africa (Pty) Ltd – it is unclear who the signatory is;
- 5.142.6.3. Verve Dynamics Incorporated (Pty) Ltd – it is unclear who the signatory is however the signature is the same as that of Cann Invest Africa (Pty) Ltd; and

5.142.6.4. There are two signatures at the end of the page with the names: M.N Moteane and M.C Matekane.

5.143. We were not provided with any shareholder certificate in respect of the 10 shares acquired by SMIC (2.5% shareholding) subsequent to the M15 million payment by SMIC to VDI. We therefore find that VDI did not comply with Section 20(3) of the Lesotho Companies Act which states that:

*“The Board of a company shall lodge with the Registrar, a report, as prescribed in Schedule, Form each time the company issues shares within 15 working days of the issue of shares, stating the number and the nominal amount of shares issued and names and addresses of the persons to whom the shares have been issued”*

#### **B1.17. SMIC funding model to acquire investment**

5.144. During consultation with Mr Moteane, Mr Sefako and Mr Lebeta they echoed the following similar sentiments:

5.144.1. SMIC had to diversify their business operations;

5.144.2. The investment in Vodacom Lesotho was not leveraging the same investment interests as earlier years, since there is a transition in the telecoms industry towards more data usage;

5.144.3. Vodacom Lesotho was fined by the Regulator, and this had a direct impact in profit sharing; and

5.144.4. SMIC Board resolved to sell 5% shares of Vodacom Lesotho to the Pension Fund, to enable SMIC to invest in VDI and pursue other business opportunities to diversity SMIC’s investment portfolio.

5.145. We inspected an unsigned letter<sup>47</sup> from SMIC dated 06 December 2021, with the subject matter: *“Invitation to purchase 5% of Vodacom Lesotho”*, addressed to the Principal Officer of the Lesotho Pension Fund. The letter refers to the following:

5.145.1. Mr Moteane had a telephonic discussion with Mrs Mamotlohi Mochebelele inviting Lesotho Pension Fund to commence negotiations in respect of the acquisition of SMIC’s 5% stake in Vodacom Lesotho.

5.146. We reviewed a letter<sup>48</sup> from the Lesotho National Pension Fund dated 3 March 2022 addressed to the Chairperson of the SMIC Board. In summary, the letter states that the Lesotho National Pension Fund Investment Committee *“has subsequently given the greenlight for the Fund to pursue this offer further and express interest”*.

<sup>47</sup> Exhibit 47 – Copy of unsigned letter from SMIC to Lesotho Pension Fund dated 06 December 2021

<sup>48</sup> Exhibit 48 – Copy of letter from Pension Fund to SMIC dated 3 March 2022

- 5.147. We have not been provided with any subsequent correspondence between the Lesotho National Pension Fund and SMIC regarding the purchase of the 5% Vodacom Lesotho shares.
- 5.148. Mr Lebete provided us with a letter<sup>49</sup> from Nedbank Lesotho, dated 13 July 2022, which serves as confirmation that SMIC’s application for a M15,000,000.00 credit to fund the acquisition of shares from VDI, has been approved at stage 1 and is currently awaiting final assessment (stage 2 approval).
- 5.149. During consultation with Dr Monyamane, she informed us that the Nedbank Lesotho loan was approved and provided us with a copy of a letter<sup>50</sup> dated 25 August 2022 from Nedbank Lesotho which states the following:
- “Following our discussions for a request of a M15 million business loan, we are pleased to inform your application has been approved. We are currently finalizing facility conditions and anticipate payout of the loan by 2<sup>nd</sup> September 2022...”*
- 5.150. We consulted with Mr Matsaba (who is the Accountant at SMIC) and presented him with the approval letter from Nedbank. We enquired from Mr Matsaba whether SMIC received this M15million loan from Nedbank and he provided us with the following email response<sup>51</sup>:
- “...I hereby confirm that Sekhametsi Investment Consortium DID NOT receive the M 15 million from the Nedbank Lesotho on the mentioned date.*
- You may directly obtain the 2022/23 Bank Statement of the Sekhametsi Enterprises (Pty) Ltd from NedBank Lesotho to ease an independent verification”.*
- 5.151. The above version was further corroborated by Mr Lebete in an email addressed to Forvis Mazars on 13 February 2025, wherein he stated the following:
- “The funds were never disbursed to SMIC”.***
- 5.152. We were not provided with the SMIC Nedbank Lesotho bank statements to perform an independent analysis of whether the M15 million loan was received by SMIC.
- 5.153. Mr Lebete, Mr Sefako and Mr Moteane informed us that VDI intended to implement litigation proceedings against SMIC for failing to honour the contractual agreement by paying the required funding to VDI as stated in the subscription agreement.
- 5.154. We reviewed a copy on an email<sup>52</sup> dated 08 September 2022 from Mr Davies addressed to Mr Lebete which states the following:
- “Good morning Ntate Lebete,*

<sup>49</sup> Exhibit 49 – Copy of letter from Nedbank to SMIC dated 13 July 2022

<sup>50</sup> Exhibit 50 – Copy of letter from Nedbank Lesotho approving loan of M15million

<sup>51</sup> Exhibit 51 – Copy of email from Mr Matsaba to Forvis Mazars dated 26 February 2025

<sup>52</sup> Exhibit 52 – Copy of email from Richard Davies (VDI) to Mr Lebete dated 08 September 2022

*I write with reference to attached correspondence from yourself and Nedbank.*

*Please urgently advise RE payment scheduled for 2nd September 2022 as per attached letter. This constitutes initial payment as per subscription and shareholder agreements signed on 16th May 2022, also attached.*

*According to the payment schedule the initial payment was due 3rd June 2022. It is our understanding that you have been in the market to raise finance for the project hence VDI's position to support you in the endeavour in the past three months.*

*However, the time lapse is grossly compromising the integrity of the operation based on the key points below:*

- 1) Daily loss of M227 272.00 in potential income.*
- 2) We stand to lose two of off-take agreements with our European and possibly Australian customers.*
- 3) Our implementation plan for EU-GMP certification is greatly under threat through lack of funding due - this due to us having started processes based on the payment schedule received from Sekhametsi.*
- 4) We are running months behind the phase 2 implementation programme; which we were seeking an equity partner for.*
- 5) Key consultants that have already been headhunted for strategic posts on this project will no longer be available.*

*Again, the above delays are compromising the VDI asset and we need an urgent remedy.*

*Please kindly acknowledge receipt of this communication and advise on payment urgently. We have a 9th September 2022 payment deadline.*

*We hope to hear from you soon and we remain positive & optimistic about our partnership.*

*Kind regards"*

5.155. We find that the above correspondence from VDI was not a threat of litigation and more of a reminder regarding payment of the first tranche as agreed upon in the shareholder agreement as well as the impact further delays in payment would have on VDI's operations.

5.156. We further reviewed an email<sup>53</sup> from Limpho Maema addressed to the SMIC Board of Directors dated 08 September 2022 which states the following:

*"Dear Directors,*

*I trust that this mail finds you well. Kindly not (sic) for your urgent attention the correspondence from VDI regarding the situation with finalization of the deal with regards to payment as per SMICs undertaking*

<sup>53</sup> Exhibit 53 – Copy of email from Limpho Maema to the SMIC Board of Directors dated 08 September 2022

*in the subscription agreement. As explained in the ur (sic) meeting held on 4th September, 2022 SMIC participation in the business was art (sic) of the capital raising efforts on the part of VDI to unlock the operation to service the Off take contract pipeline which is now at risk due to the delays on our part to meet the first instalment of the 15 Million. This potential risk was highlighted during discussions when addressing the urgency for the Board to meet on the VDI matter. I am cognisant of the outcome of the said meeting in that the Board has mapped the way forward on the matter and how it should be handled to finalize.*

*This notwithstanding, the company has made an undertaking and the Board is faced with a decision to make regarding the concerns raised by VDI and to act to remediate the situation in order to avert complications that may arise. This is a difficult position nonetheless the Board has to act as a collective to resolve the problem.*

*This is my observations and humble suggestion on how perhaps we can move forward on the matter:*

- 1. First I would like to note that the Board from the last meeting is not opposed to the VDI deal after being furnished with information that was discussed and clarifications provided, and with further request for information that was provided;*
- 2. The Board further accepted that the termsheet was being revised to remove 5%VCL as collateral; and was in agreement that they would consider the revised Nedbank facility term sheet for the first installment;*
- 3. That engagements be facilitated with FNB Africa and Mergence on financing the deal in full or in part for the balance whose financing has not been secured yet; and*
- 4. The Board noted that there is a concluded agreement in place and that SMIC is in default in a manner that will lead to potential material failure of the business contract.*

*Accordingly I kindly request that at the next meeting the Board once more weigh on the situation and consider approval of the Nedbank Facility to meet the initial commitment.*

*Kind regards  
Limpho Maema"*

- 5.157. We find that the above correspondence by former SMIC Board member, Adv Limpho Maema ("Adv Maema") does not reference the moratorium on new deals imposed by the AGM on 24 July 2022 and furthermore does not address any of the concerns regarding the VDI deal which were raised by the shareholders during the 2022 AGM.
- 5.158. Adv Maema did not exercise due care and did not appropriately advise the SMIC Board on this matter.

**B1.18. M15million Loan from Sekhametsi Properties**

- 5.159. Mr Lebete informed us that during September 2022 there was an informal discussion amongst the Board members during the induction of the new SMIC Board members which was held at Botleng Guest House.
- 5.160. Mr Lebete understood from the discussion that he should enquire about a loan from Sekhametsi Properties and this discussion is what led to him to taking it upon himself to request and secure the loan.
- 5.161. During consultation with Mr Moteane, he informed us that indeed Mr Lebete was tasked with enquiring about and securing the loan in order to meet SMIC's contractual obligations and avoid litigation by VDI.
- 5.162. We interviewed Mr Tseliso Ntabe ("Mr Ntabe") and Mr Lebohang Mohau ("Mr Mohau") who are both current SMIC Board members (appointed during September 2022) and they informed us of the following regarding the M15 million loan and the discussion at the induction of new Board members which took place during September 2022:
- 5.162.1. During the aforementioned informal discussion, the SMIC merely requested Mr Lebete to enquire regarding the possibility of acquiring a loan from Sekhametsi Properties and in no way was Mr Lebete authorised to secure a loan from Sekhametsi Properties;
- 5.162.2. Mr Lebete unilaterally negotiated for a loan with Sekhametsi Properties Board; and
- 5.162.3. There were no resolutions discussed and agreed upon by the SMIC Board members in respect of the loan and subsequent payment thereof.
- 5.163. Mr Lebete provided us with a document titled "*RECORD OF PROCEEDINGS SMIC BOARD OF DIRECTORS INDUCTION, STRATEGY AND PLANNING SESSION HELD AT BOTLENG GUEST HOUSE 16th to 18th SEPTEMBER 2022*"<sup>54</sup> and we noted from this record of proceedings that the following Board members were in attendance:
- 5.163.1. Limpho Masekese Maema (Chairperson)
- 5.163.2. Lebohang Khomari
- 5.163.3. Leboela Lebete
- 5.163.4. Matjato Moteane
- 5.163.5. Naledi Maphathe
- 5.163.6. Lebohang Mohau
- 5.163.7. Palo Kotelo

<sup>54</sup> Exhibit 54 – Copy of RECORD OF PROCEEDINGS SMIC BOARD OF DIRECTORS INDUCTION, STRATEGY AND PLANNING SESSION HELD AT BOTLENG GUEST HOUSE 16th to 18th SEPTEMBER 2022

5.163.8. Thuso Green

5.163.9. Tseliso Ntabe

5.163.10. Thato Mosethe (Company Secretary)

5.164. We further inspected the record of proceedings and noted the following discussions regarding VDI (under paragraph g) which took place on Day 3 (18 September 2022). According to the meta data, the document was created on 05 September 2023 and authored by Deborah Langridge on and last modified by Mr Lebete on 05 September 2023. It is noteworthy that the meta data indicates that the document was prepared almost one (1) year after the induction meetings took place.

*“Discussions were held about the VDI deal and the letter received on which VDI was threatening to take a legal cause due to SMIC’s non-compliance with the provisions of the subscription agreement. It was proposed that the EGM be called for the uplifting of moratorium of deals. This was to be done having mitigated the impending litigation risk on the VDI deal, that is, the board is to go to the EGM having solicited and paid the M15m for the purchase of 2.5 % shares in VDI. It was further proposed that the Nedbank loan be kept to pay the second instalment in case of delays in completing other financing negotiations.*

*The shareholders are to be made aware of the transaction as soon as possible, a letter to that effect may even be written.*

*The proposed date for the EGM is 02<sup>nd</sup> October, 2022.*

***It was learned that Sekhametsi Properties had funds and it was proposed that a loan be taken from SP to pay the VDI instalment. This transaction was to be approved by a Round Robin resolution.***

*The moratorium is to be lifted on VDI and pipeline projects”*

5.165. Even though the minutes refer to a “letter” from VDI threatening to take legal cause due to SMIC’s non-compliance with the provisions of the subscription agreement, we were not provided with said letter other than the email referred to in paragraph 5.156 above.

5.166. The minutes also confirm that the Nedbank Lesotho loan was approved to secure the 2<sup>nd</sup> tranche payment to VDI.

5.167. We find that Mr Ntabe and Mr Mohau’s version that the Board merely requested Mr Lebete to enquire regarding possibility of acquiring a loan from Sekhametsi Properties and in no way authorised Mr Lebete to secure the loan from Sekhametsi Properties to be unsupported. The record of proceedings clearly states that: *“It was learned that Sekhametsi Properties had funds and it was proposed that a loan be taken from SP to pay the VDI instalment. This transaction was to be approved by a Round Robin resolution”*

5.168. During consultation with Mr Green (who was also being inducted at this meeting) he informed us that there was never any instruction issued to Mr Lebete that he secure a loan from Sekhametsi Properties.

Mr Green furthermore informed us that he had requested the draft minutes to enable him to review the contents and they were presented to him in PDF format, something which he found to be strange because ordinarily, Board members receive draft minutes from the Company Secretary in Microsoft Word format for review and are afforded an opportunity to track changes.

- 5.169. We were not provided with any Round Robin resolution by the SMIC Board members in respect of the approval of the transaction as referenced in the record of proceedings.
- 5.170. We reviewed a letter<sup>55</sup> from Mr Lebete to Sekhametsi Properties Chairman (Mr Putsoane) dated 19 September 2022. The content of the letter is a formal application requesting Sekhametsi Properties to assist SMIC with a loan in the amount of M15 million. The letter further sets out the following:
- 5.170.1. SMIC needs this amount in order to satisfy the payment obligation in relation to the acquisition of equity stake in VDI;
- 5.170.2. SMIC is experiencing delay on the part of the bank to approve the loan application; and
- 5.170.3. The request is that the loan be granted based on payment plan that could be negotiated between the two companies and interest be charged at 8.5% per annum as it has been the case in the current loan transaction.
- 5.171. We were also provided with email correspondence<sup>56</sup> whereby Mr Putsoane agreed to undertake the M15million loan at 9% per annum.
- 5.172. We inspected a copy of a Nedbank Lesotho proof of payment, dated 20 September 2022, and noted that a payment in the sum of M15,000,000.00 was made directly from Sekhametsi Properties to VDI.
- 5.173. We reviewed an email<sup>57</sup> from Mr Lebete dated 27 September 2022 which is addressed to the SMIC Board members whereby he apologised for the effected payment of M15million to VDI.

**B1.19. Moratorium**

- 5.174. We inspected the minutes of the AGM, held on 07 July 2022 and noted from agenda item 2.16 (Moratorium on New Deals) which states the following:
- “The company should not conclude any new deals before this AGM has been completed...”*
- 5.175. Mr Lebete informed us that the moratorium related to new deals and considering that the VDI deal was already in progress, the moratorium did not apply to VDI. Mr Lebete also informed us that he acted in the best interest of SMIC in the manner in which the VDI deal was dealt with.
- 5.176. Mr Moteane informed us that he was aware the Board acted against the moratorium imposed by the shareholders by effecting the payment of the first tranche payment of M15 million. We enquired from Mr

<sup>55</sup> Exhibit 55 – Copy of SMIC loan application letter dated 19 September 2022

<sup>56</sup> Exhibit 56 – Copy of email correspondence between Sekhametsi Properties and SMIC

<sup>57</sup> Exhibit 57 – Copy of email from Mr Lebete to SMIC board apologising for effecting payment to VDI

Moteane whether he acted within the best interest of SMIC regarding the entire VDI deal and he informed us that indeed he acted in the best interest of SMIC as the objective was to avoid civil litigation by VDI.

- 5.177. During consultation with Mr Sefako, he informed us that the AGM resolved that the moratorium includes all new deals and according to him the VDI investments was a new deal, and the moratorium includes the VDI investment. It should be noted that at the time when the payment was processed to VDI Mr Sefako was no longer a member of the SMIC Board of Directors as his term of office came to an end July 2022.

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## B.2 Afri Expo Textiles (Pty) Ltd

### B2.1. Background

5.178. Below is a chronology of events leading up to the investment In AET to provide context to this section:

**Table 18: AET – Chronology of events**

Date	Description
Undated	PowerPoint presentation titled “Afri Expo Textiles Re-capitalisation strategy”
Unknown date	AET’s presentation to the SMIC Board
17 July 2018	Minutes of SMIC Board where AET presentation was discussed and it was resolved that AET avail a confidentiality agreement
26 November 2018	AET letter to SMIC inviting SMIC to invest M10 million in AET for 5% shareholding
November 2019	AET Business Proposal submitted to SMIC for review
17 December 2019	Offer letter from SMIC to AET with the following terms: <ul style="list-style-type: none"> <li>• M3 million for purchase of 20% shareholding in AET; and</li> <li>• Further M7 million shareholders Loan payable within 3 years at Prime Rate plus 1.0% per annum secured by a further 29% shareholding ceded to Sekhametsi</li> </ul>
06 January 2020	Letter from AET to SMIC proposing a meeting to further deliberate on the offer proposed by SMIC.
29 January 2020	Board resolution to invest M10 million in AET for a 30% interest: <ul style="list-style-type: none"> <li>• 1 million to be paid immediately for financing staff salaries and other operational items</li> </ul>
30 January 2020	Payment of M1 million was made to AET
28 February 2020	Shareholders Agreement
03 March 2020	Payment of M3 million was made to AET
30 July 2020	Payment of M3 million was made to AET
29 October 2020	Payment of M3 million was made to AET
Year ended 31 March 2021	Full M10 million impaired by SMIC

5.179. We understood from our interviews with the Supervisory Team that during 2020, SMIC invested M10 million in Afri Expo Textiles (“AET”) in order to diversity its investment portfolio. This investment was fully impaired during 2021. Below is a detailed account of the events leading up to the decision to invest in AET and the subsequent impairment.

### B2.2. Investment in AET

5.180. During consultation with Mr Lebeta on 18 September 2024, he informed us of the following:

5.180.1. AET approached SMIC for investment opportunities; and

5.180.2. AET initially proposed a 20% equity interest in exchange for an investment of M30 million.

- 5.181. We reviewed an undated copy of a PowerPoint Presentation, titled “*Afri Expo Textiles Re-capitalisation strategy*”<sup>58</sup> provided to us by Mr Lebete. The presentation covers AET’s vision, market validation, challenges, facilities, customers, products, employees, value chain, business model, expansion plans, and potential opportunities.
- 5.182. The final slide indicates a Strategic Partnership opportunity, offering approximately 20% equity in exchange for M30 million. The re-capitalisation plan focuses on expanding current facilities in Mafeteng and Mohales Hoek and increasing market access. The projected return on investment is estimated within three (3) years.
- 5.183. Mr Lebete informed us that during a Board meeting held on 17 July 2018, concerns were raised by Board members regarding the lack of detail in AET’s proposal.
- 5.184. We reviewed a copy of a PDF document titled “*MINUTES OF THE BOARD OF DIRECTORS MEETING HELD ON TUESDAY THE 17<sup>TH</sup> OF JULY 2018 AT AVANI LESOTHO ARCHITECT’S OFFICE AT 09H00*”<sup>59</sup> and we noted the following key points addressed under point number 8.7:
- “8.7 Invitation for Equity Investment Afri Expo Textiles*
- The Board noted Afri Expo Invitation Letter noted (sic).*
- *Afri-Expo presented before the Board an Invitation to SMIC to invest M30m for 20% equity in the business.*
  - *The board noted that Afri-Expo investment in the business is currently M10m.*
  - *SMIC raised concern that the presentation lacks details for it to interrogate the business.*
  - *The Board also impressed on Afri-Expo that SMIC is seen as Investor of choice by all categories of business.*
  - *Afri-Expo made a request that it will need a Confidentiality Agreement to avail additional information.*
  - *A factory tour was also agreed*
  - *The Board expressed a consent that a Confidentiality Agreement be availed by Afri-Expo and be sent to SMIC Company Secretary for review and amendments.”*
- 5.185. We reviewed a letter inviting SMIC to invest in Afri-Expo Textiles dated 26 November 2018, indicating that negotiations between SMIC and AET were ongoing. The letter outlined the investment amount as M10 million for 5% shareholding and one board seat.

<sup>58</sup> Exhibit 58 - Copy of Afri Expo Re-Capitalisation Strategy PowerPoint Presentation

<sup>59</sup> Exhibit 59 - Copy of SMIC Minutes 17.07.2018 Board Remuneration

- 5.186. According to Mr Lebete, AET submitted a Business Proposal in response to SMIC's request for additional information. This business proposal was submitted in hardcopy file by AET to SMIC's board of directors for review.
- 5.187. We reviewed a copy of the AET Business Proposal<sup>60</sup> which included the following documents:
- 5.187.1. The Auditor's Profile (Tirong Chartered Accountants);
  - 5.187.2. AET's Business Plan dated November 2019;
  - 5.187.3. AET's Certificate of Incorporation dated 01 October 2019;
  - 5.187.4. Cut-Make-Trim ("CMT") Service Confirmation;
  - 5.187.5. Company Extract; and
  - 5.187.6. CVs of key AET staff members.
- 5.188. Our inspection of the AET Business Plan identified that financial losses were reported for the financial years ending: 2017 to 2019:

**Table 19: Summary of AET financial losses years ending: 2017 to 2019**

Year ending	Financial losses (M)
2017	-M2,266,820
2018	-M4,664,138
2019	-M5,922,799

- 5.189. We also reviewed a copy of a letter dated 17 December 2019<sup>61</sup> presented on SMIC's letterhead. The letter serves as an invitation from SMIC to purchase a shareholding in AET. The letter is addressed to Mr Teboho Kobeli ("Mr Kobeli") who is the Managing Director and Owner of AET. The letter, signed by Mr Moteane, outlines the following terms negotiated by SMIC:
- 5.189.1. M10 million Investment broken down as follows:
    - 5.189.1.1. M3 million for purchase of 20% shareholding in AET; and
    - 5.189.1.2. Further M7 million shareholders Loan payable within 3 years at Prime Rate plus 1.0% per annum secured by a further 29% shareholding ceded to Sekhametsi.
  - 5.189.2. Conclusion of Shareholders Agreement; and
  - 5.189.3. Approval by the Board of SMIC and Shareholders of Afri-Expo.

<sup>60</sup> Exhibit 60 - Copy of AET File

<sup>61</sup> Exhibit 61 - Copy of Letter from SMIC to AET dated 17 December 2019

- 5.190. We further reviewed a copy of a letter dated 06 January 2020<sup>62</sup>. The letter serves as a response to the letter dated 17 December 2019 and is addressed to Mr Moteane. The letter proposed a meeting to further deliberate on the offer proposed by SMIC.
- 5.191. According to Mr Lebete, at a subsequent Board meeting held on 29 January 2020, the Board resolved to invest M10 million for a 30% interest in AET, based on the financial information reviewed in AET's Business Proposal.
- 5.192. We reviewed a copy of a PDF document titled "*SMIC Minutes of the Special Board Meeting*"<sup>63</sup>, dated 29 January 2020, and identified the following:
- Resolution:*** *The Board approved to acquire 30% of the shareholding in AET at a consideration of M10 million with M1 million to be paid immediately for financing of staff salaries and other operational items*
- Matters considered:*** *The Board noted that after the financial due diligence on the business that the:*
- o Operational side of the business is doing well*
  - o The financial side of the business needs remedial action and SMIC will take over this portfolio."*
- 5.193. According to Mr Lebete, the SMIC Board was aware that AET was not in good financial standing and the decision to invest stemmed from SMIC's desire to "*empower locally owned businesses*". Mr Moteane and Mr Sefako shared the same sentiment that SMIC ought to invest in local businesses.
- 5.194. We were not provided with any support in respect of the alleged financial due diligence performed by SMIC. According to Mr Lebete no comprehensive due diligence report was prepared prior to the investment and their financial due diligence was limited to a review of AET's financial statements.
- 5.195. Mr Lebete further informed us that other SMIC investments, such the investment in Pioneer Mall and the acquisition of an additional 8% stake in Vodacom Lesotho, were pursued in a similar manner without a full due diligence being performed and reliance was placed on Board discussions and mutual trust among Board members.
- 5.196. We find that the Board did not act within the best interests of SMIC and continued to invest in AET despite being aware that AET was not in a good financial standing. Furthermore, no comprehensive due diligence was performed on AET.
- 5.197. SMIC does not have any formal investment procedures or policies which results in inconsistent handling of investment deals. This poses significant Financial and Corporate Governance risks considering that there is no guideline regarding what types of investment opportunities may be pursued by SMIC.
- 5.198. Our review of the SMIC bank account (Account number: 9080001356689) identified that a payment of M1 million was made to AET on 30 January 2020, one (1) day after the special Board meeting.

<sup>62</sup> Exhibit 62 - Copy of Letter dated 06 January 2020 from AET to SMIC

<sup>63</sup> Exhibit 63 - Copy of SMIC Minutes of the Special Board Meeting dated 29 January 2020

- 5.199. We did not identify any anomalies in this regard, as the Board resolved that the M1 million should be paid immediately to cover staff salaries and other operational expenses.
- 5.200. AET accepted the offer of M10 million for a 30% equity interest, in contrast to their original request for M30 million in exchange for a 20% interest.
- 5.201. According to Mr Lebete, a shareholders' agreement was concluded, specifying that the M10 million investment would be paid in four (4) tranches: an initial payment of M1 million (payable immediately), followed by three (3) instalments of M3 million each.
- 5.202. We reviewed a copy of the signed Shareholders Agreement dated 28 February 2020<sup>64</sup> and confirmed that the payment for the shares was to be made in four (4) tranches as summarised below:

**Table 20: Payment terms outlined in Shareholder's Agreement**

Amount (M)	Share allocation	Date payable by SMIC
1 million	42 shares	Agreed and recorded that SMIC has already made an upfront payment of M1 million
3 million	129 shares	Payable on execution of a shareholder agreement
3 million	129 shares	Payable on 01 July 2020
3 million	129 shares	Payable on 02 January 2021

- 5.203. Our inspection of the SMIC bank account (Account Number: 9080001356689) reflected three (3) payments of M3 million each to AET. These payments were made on 03 March 2020, 30 July 2020, and 29 October 2020, respectively. We noted that the 4<sup>th</sup> tranche payment of M3 million was processed on 29 October 2020 which is two (2) months in advance of the actual due date being 02 January 2021. We therefore find that the payment of the 4<sup>th</sup> tranche of M3 million being processed prior to its due date, resulted in SMIC foregoing interest on the cash on hand.
- 5.204. According to Mr Lebete, the investment in AET was financed using available cash reserves, as SMIC was solvent due to significant dividend payouts from Vodacom during the period from 2018 to 2020, and prior to the impact of COVID-19.

### **B2.3. SMIC Financial Statements**

- 5.205. Our review of the SMIC consolidated and separate financial statements for the year ended 31 March 2020 (signed on 30 April 2021 by New Dawn Chartered Accountants) identified the following:
- 5.205.1. An investment in AET was made during the 2020 financial year;

<sup>64</sup> Exhibit 64 - A copy of signed Shareholders Agreement dated 28 February 2020

- 5.205.2. The investment was recorded as an equity accounted investment;
  - 5.205.3. The investment was recognised at M10 million;
  - 5.205.4. AET was classified as an associate company; and
  - 5.205.5. AET operated in the clothing manufacturing sector.
- 5.206. Our review of the New Dawn Chartered Accountants (“New Dawn”) management report<sup>65</sup> dated 23 February 2021 identified the following:

**Table 21: Summary of New Dawn Management report**

Management letter point	Detail	Effect	Management response
<i>Investment In Afri-Expo</i>	<i>During the year Sekhametsi investment consortium acquired the shares in Afri Expo textile inconsideration of ten million, only four million was recognised in the financial statements</i>	<i>Investments and payables are understated by six million.</i>	<i>The following adjusting journal has been approved by management for the accountant to pass it as a correction to the above concern; Dr investment in Afri Expo 6 million Cr Afri Expo (current liabilities) 6 million Being unpaid part of the acquisition cost of investment in Afri Expo Investments</i>

- 5.207. We therefore find the following in respect of SMIC’s investment in AET:
- 5.207.1. There was no comprehensive due diligence performed prior investing in AET; and
  - 5.207.2. There are Board minutes and resolutions to confirm whether to proceed with the investment in AET, despite AET’s poor financial standing.

**B2.4. Impairment**

- 5.208. During consultation with Mr Lebete, on 18 September 2024, he informed us that he observed the following indicators of impairment related to AET:
- 5.208.1. AET experienced governance shortfalls (such as the failure to hold AGMs);
  - 5.208.2. The Cut Make Trim (“CMT model”) which has low profit margins, further “squeezed” the business; and
  - 5.208.3. A review of the financial statements, at that point in time, revealed negative retained earnings, indicating that AET was insolvent.

<sup>65</sup> Exhibit 65 – New Dawn Chartered Accountants management letter dated 23 February 2021

5.209. Our review of SMIC's consolidated and separate annual financial statements for the year ended 31 March 2021 revealed that the investment in AET was fully impaired, with an impairment of M10 million recorded.

5.210. Mr Lebete further stated that the auditors had requested AET's financial statements and advised that SMIC's financial statements be adjusted, as AET no longer appeared to be a going concern. The impairment was subsequently addressed at the 2022 AGM. We reviewed a copy of the AGM minutes dated 07 August 2022 and noted the following from agenda item 2.12:

*“Questions were raised as to what caused the impairment in AET investment made. What was the turnaround strategy, whether the company will require more capital injection, and whether the board was aware that AET owed rentals and that letters of demand have been issued and whether there is a dividend policy in place as AET:*

- a) *“It was noted that problems at AET are being addressed, the turnaround strategy is being implemented, and positive results have begun to show. There was no need for SMIC to put in more money in the business.*
- b) *The impairment is not a loss per se but a way to account for the investment that has not yet yielded a return to SMIC in companies (sic) financial records.*
- c) *It was further noted that the investment in AET was an investment decision, based on the potential of the sector.*
- d) *The dividend policy and other policies at AET will be developed in due course along with other necessary policies.*
- e) *It was suggested that no further investment should be done on AET as it is a risky business”*

5.211. We find that the minutes of the AGM adequately set out what an impairment is defined as. We therefore concur with the minutes that a write-off typically indicates that an asset or receivable is unlikely to be recovered. However, this does not prevent the organization from pursuing recovery as:

5.211.1. Writing off an asset is mainly an accounting step to reflect its reduced value, ensuring accurate financial records. This does not impact the legal right to seek recovery, as the company can still pursue collections, litigation, or other methods; and

5.211.2. Accounting standards encourage a conservative approach by recording losses when likely, even if recovery is possible. This approach provides a cautious view of the company's finances. Despite the write-off, the company can still attempt recovery and reverse the write-off, if successful.

**B2.5. Reversal of Impairment / Recovery**

5.212. During consultation with Mr Lebete, he informed us that SMIC is in discussions with AET to recover its investment. He stated that SMIC has offered to sell its 30% interest in AET to the existing shareholder, Mr Kobeli, who has accepted the offer to buy back the shares.

5.212.1. SMIC proposed a sale price of M12 million for its 30% stake in AET;

5.212.2. Mr Kobedi countered with an offer of M8 million, to be paid over several years; and

5.212.3. Negotiations and recovery efforts are ongoing, led by SMIC's current Investment Committee.

5.213. We were not provided with any correspondence relating to recovery efforts as alluded to by Mr Lebete.

5.214. If recovery efforts are successful, the amount can be reinstated in the financial records, reversing the initial write-off. This process restores the asset's value in the company's books and indicates that write-offs are not always final.

5.215. In summary, a write-off reflects careful financial reporting but does not prevent the company from pursuing asset recovery. It acknowledges a decrease in asset value, yet recovery efforts can still be successful.

**B2.6. Background searches**

5.216. During our investigation we performed independent background searches on AET and identified the following from the Lesotho Company Registry:

**Table 22: Company Details from Lesotho Company Registry**

No	Entity Name	Afri Expo Textiles registration number	Registered address of Afri Expo Textiles	Afri Expo Textiles Active Directors	List of Afri Expo Textiles Shareholders	Number of Shares
1	Afri Expo Textiles (Pty) Ltd		Lioli Road, Industrial Area, Maseru, Lesotho	Mr Teboho Kobeli	Sekhametsi Investment Consortium	429
				Mrs Mabokang Kobeli	Mr Teboho Kobeli	750
					Mrs Mabokang Kobelo	100
				Mr Lenka Mphafi	Mr Lenka Mphafi	150
						1,429

5.217. We were not provided with a shareholder certificate for the 429 shares acquired by SMIC (30% shareholding). During our consultation with Mr Lebete on 18 September 2024, he confirmed that no shareholder certificate was issued. Consequently, this indicates AET's non-compliance with Section 20(3) of the Lesotho Companies Act which states that:

*“The board of a company shall lodge with the Registrar, a report, as prescribed in Schedule, Form each time the company issues shares within 15 working days of the issue of shares, stating the number and the nominal amount of shares issued and names and addresses of the persons to whom the shares have been issued”*

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**C. Stream 2**

**C1. Sekhametsi Place**

5.218. It is our understanding, from consultation with former SMIC Board members, that SMIC acquired Sekhametsi Place (Property Number 12284-362 situated at Maseru Central along Kingsway Road) during 2017. The land and building were subsequently renovated to make it attractive to prospective tenants.

5.219. We were required to investigate the procurement processes followed in respect of the refurbishment and renovations that took place after Sekhametsi Place was acquired by SMIC.

**C1.1 Transfer of property from Star Lion Group to Sekhametsi Investment Consortium (Pty) Ltd**

5.220. We understand from the power of attorney to pass transfer<sup>66</sup> document that Star Lion Group was in liquidation and Daniel Gerhardus Roberts (from Webber Newdigate Attorneys) was appointed by the Master of the High Court of Lesotho to act as liquidator on 17 February 2017.

5.221. We also understand from the deed of transfer document<sup>67</sup> that SMIC purchased the property (Property Number 12284-362) for the sum of M44,000,000.00 on 04 May 2017.

5.222. We analysed the bank statement of Sekhametsi Enterprises for the period 2016 to 2024 and noted that two (2) payments were processed with the description MKM Star Lion Group Estate which amounts to M45,760,000.00, detailed as follows:

5.222.1. Paid on 01 June 2017 for an amount of M27,000,000.00; and

5.222.2. Paid on 03 July 2017 for an amount of M18,760,000.00.

5.223. We were not provided with any invoice from MKM Star Lion Group estate to confirm the beneficiary account details. We are therefore unable to confirm why SMIC paid an additional M1,760,000.00 when the property was sold at M44,000,000.00 (inclusive of tax) in terms of the deeds of transfer document.

**C1.2 Moroa Properties Invoice**

5.224. We inspected an invoice<sup>68</sup> from Moroa Property Investments addressed to SMIC dated 17 May 2017

5.225. The description of the invoice is as follows:

*“PORTION OF PLOT NO. 12284-362  
CORNER OF PARLIAMENT AND KINGSWAY ROAD – MASERU  
COMISSION @ 10%”*

<sup>66</sup> Exhibit 66 - Copy of Power of Attorney to pass transfer of Star Lion Group

<sup>67</sup> Exhibit 67 - Copy of Deed of Transfer document

<sup>68</sup> Exhibit 68 – Moroa Property Investments invoice dated 17 May 2017

- 5.226. We noted that the invoice is to the value of M4,400,000.00 (excluding Tax) which is 10 % of the purchase price of Sekhametsi Place and the total value of the invoice (inclusive of Tax) amounts to M5,016,000.00.
- 5.227. We were not provided with any source document from SMIC indicating how Moroa Properties was appointed and what functions they performed in respect of the 10% commission payment they received.
- 5.228. We contacted Mr Hatla Ntene (“Mr Ntene”), who is the director of Moroa Properties to request a meeting in order for him to clarify the above transaction, at the date of this report Mr Ntene had not availed himself to meet with us.

### **C1.3 Valuation report by Math Properties**

- 5.229. We inspected an unsigned valuation report dated 26 September 2018, prepared by Math Properties. According to the valuation report SMIC instructed Math Properties to determine the market value of the subject property being Property Number 12284-362 situated at Maseru Central along Kingsway Road, now known as Sekhametsi Place.
- 5.230. We noted from the valuation report that a site inspection was conducted on 26 June 2017, by Tankisang Mosito of Math Properties who declared the value of the property at R56,000,000.00.
- 5.231. We find it questionable that SMIC only performed a valuation of the property on 26 June 2017, which is after property purchase date of May 2017. In addition, the valuation report was dated 16 months (26 September 2018) after the date of purchase.

### **C1.4 Renovations of Sekhametsi Place**

- 5.232. We understand that after the purchase of Sekhametsi Place that SMIC commenced with the renovation project during 2018.
- 5.233. It is alleged that SMIC procurement processes were not followed in the appointment of service providers who performed renovations at the Sekhametsi Place building.
- 5.234. It is further alleged that former Board members appointed their own entities to perform renovations to the building and therefore a fair and competitive procurement processes was not followed in appointing service providers.
- 5.235. During consultation with Mr Lebete, he informed us that it is standard practice for SMIC shareholders and Board members to benefit from any business opportunities prior to advertising such opportunities to the public. This version was further corroborated by Mr Thabo Matsaba (“Mr Matsaba”) who is the Accountant at SMIC and former administrator at SMIC, Ms Mamolise Mojaje (“Ms Mojaje “). However, the current SMIC Board members we interviewed do not agree with this statement.

5.236. We reviewed an email<sup>69</sup> dated 03 May 2018 from Ms Mojaje addressed to various recipients (whom Ms Mojaje informed us are SMIC shareholders and directors) the email that reads as follows:

*“Dear SMIC Shareholders”*

*Pursuant to the announcement made in 2017 AGM held on the 15<sup>th</sup> April 2018 regarding Vendor Listing, please find attached herewith Notice(sic) to all Shareholders to the effect of service provision inclined to upgrading and construction of Former Agric Bank Building.*

*Please note that submission of documents should not be made later than the 11<sup>th</sup> May 2018.*

*Warm Regard”*

5.237. We understand that the above email is an invitation for prospective work opportunities that was issued to certain SMIC shareholders, whether or not all SMIC shareholders were afforded the opportunity is questionable.

5.238. We reviewed a Microsoft Excel spreadsheet titled *“LIST OF VENDORS/ SERVICE PROVIDERS WHO SUBMITTED THEIR BUSINESSES/COMPANIES PROFILES FOR CONSIDERATION ON RENOVATIONS AND REFURBISHMENT OF FORMER AGRIC BANK BUILDING - SHAREHOLDERS OF SMIC”* provided by Mr Lebeta which<sup>70</sup> lists the following seven (7) vendors/ service providers who submitted their businesses/companies’ profiles in response to the renovation business opportunities at Sekhametsi Place:

5.238.1. Splash Printers;

5.238.2. Electro Techno Services;

5.238.3. SAF Holdings;

5.238.4. Khatleli Tomane Moteane Architects;

5.238.5. EL Condor Construction;

5.238.6. Power Consult Projects (Pty) Ltd; and

5.238.7. DNT Architects.

5.239. The Supervisory Team informed us that the Project Manager (Mvua Properties) was appointed by SMIC through a competitive procurement process (of which no source documents were provided to us) and Mvua Properties was responsible for appointing all other contractors/service providers to execute the refurbishment and renovation works.

<sup>69</sup> Exhibit 69 - Copy of email from Ms Mojaje to various recipients dated 03 May 2018

<sup>70</sup> Exhibit 70 - Excel spreadsheet detailing the service providers

- 5.240. We performed an open-source search of Mvua Properties and found that the Director of Mvua Properties, Mr Ntene is also the director of Moroa Property Investments, who received a 10% commission from the sale of Sekhametsi Place.
- 5.241. Our analysis of the Microsoft Excel spreadsheet provided by Mr Lebete noted that the following seven (7) service providers were engaged in the renovations of Sekhametsi Place:

**Table 23: SMIC summary of contractors/ service providers engaged**

No	Service Provider
1	Aurecon Lesotho in association with Elecmecc
2	EFS Construction
3	Khatleli Tomane Moteane Architects
4	Maths Properties
5	Multi Nodal Consultants
6	Mvua Properties
7	Scope Matrix

- 5.242. From our inspection of the Excel spreadsheet, we further observed a note stating:
- “For Architectural Services, KTM A was assigned (sic) to deal with phase 1 of the project and DNT to design and supervise Phase 2”*
- 5.243. During consultation with the Supervisory Team, we were informed that SMIC shareholder Mr Theodore Nhlapho (“Mr Nhlapho”) is the owner of DNT. We consulted with Mr Nhlapho and enquired from him whether DNT was indeed awarded the design and supervision of phase 2, and he informed us that DNT was never awarded this work by SMIC.
- 5.244. We compared the list of vendors/ service providers who submitted their businesses/company profiles for consideration against the list of service provider engaged on the renovations project based on the Microsoft Excel spreadsheet provided by Mr Lebete and noted that Khatleli Tomane Moteane Architects (“KTM”) is the only service provider that features on both lists.
- 5.245. We requested SMIC to provide us with the following information in respect of the service providers appointed to perform the renovations, at the date of this report we were not provided with the documents as requested:
- 5.245.1. Tender specification and advertisements outlining the scope of work;
  - 5.245.2. Documentation relating to the selection, evaluation, approval, and appointment of service providers and contractors;
  - 5.245.3. Service Level Agreements of Ntsihlele Land Surveyors and Math Properties;
  - 5.245.4. Financial records, invoices, payment vouchers, and supporting documentation verifying payments made to service providers, contractors, and third parties; and
  - 5.245.5. Building plans and drawings.

### C1.5 Professional Consultants Services Agreement

5.246. We obtained the Professional Consultants Services Agreements (“PROCSA”) of the following six (6) service providers being:

- 5.246.1. Aurecon;
- 5.246.2. EFS Construction;
- 5.246.3. Khatleli Tomane Moteane Architects;
- 5.246.4. Multi-Nodal Development;
- 5.246.5. Mvua Property Partners; and
- 5.246.6. Scope Matrix

5.247. We noted that two (2) service providers rendered services to SMIC in respect of the refurbishment of Sekhametsi place because invoices were issued by them. We were however, not provided with the PROCSA for the following two (2) service providers:

- 5.247.1. Math Properties; and
- 5.247.2. Ntsihlele Land Surveyors.

5.248. The below table summarises the contract values as stipulated in the PROCSA:

**Table 24: PROCSA summary – Refurbishment of Sekhametsi Place**

No	Contractor Name	Description of Services	Value of PROCSA amount (M)	Exhibit
1.	Aurecon (Mechanical Engineer)	Civil And Structural Engineering	754,131.00	Exhibit 71 <sup>71</sup>
	Aurecon (Structural Engineer)		305,084.00	Exhibit 72 <sup>72</sup>
	Aurecon (Electrical Engineer)		936,953.00	Exhibit 73 <sup>73</sup>
	Combined contract value to Aurecon		1,996,168.00	
2.	EFS Construction	Main Contractor	51,964,159.65	Exhibit 74 <sup>74</sup>

<sup>71</sup> Exhibit 71 – Copy of Aurecon (Mechanical Engineer) PROCSA

<sup>72</sup> Exhibit 72 – Copy of Aurecon (Structural Engineer) PROCSA

<sup>73</sup> Exhibit 73 – Copy of Aurecon (Electrical Engineer) PROCSA

<sup>74</sup> Exhibit 74 – Copy of EFS Construction PROCSA

No	Contractor Name	Description of Services	Value of PROCSA amount (M)	of Exhibit
3.	Khatleli Tomane Moteane	Architect And Principal Agent	2,252,928.00	Exhibit 75 <sup>75</sup>
4.	Multi-Nodal Development	Environmental Services	227,979.10	Exhibit 76 <sup>76</sup>
5.	Mvua Property Partners	Project Management	1,362,392.00	Exhibit 77 <sup>77</sup>
6.	Scope Matrix	Quantity Surveying	1,290,852.00	Exhibit 78 <sup>78</sup>
7.	Math Properties	Land Valuation No PROCSA provided	0.00	
8.	Moroa Property Investment (Mvua ceded to Moroa Property)	Project Management No PROCSA provided, Mvua property Partners PROCSA is applicable	0.00	
9.	Ntsihlele Land Surveyors	No PROCSA provided	0.00	
<b>Total</b>			<b>59,094,478.75</b>	

5.249. We noted that all PROCSA's were signed by Mr Lebete on behalf of SMIC in his capacity as Chairman.

#### C1.6 Invoices relating to renovation work at Sekhametsi Place

5.250. We received invoices from SMIC in respect of the renovation of Sekhametsi Place for seven (7) service providers which amounts to **M81,421,584.71**. We were not able to confirm whether payments in respect of all these invoices were processed and paid by SMIC due to the limitation of us not being provided with the SMIC bank contra-data and payment schedules maintained by Mvua Property Partners who was responsible for the Project Management functions of the renovations project.

<sup>75</sup> Exhibit 75 – Copy of KTM PROCSA

<sup>76</sup> Exhibit 76 – Copy of Multi Nodal Development PROCSA

<sup>77</sup> Exhibit 77 – Copy of Mvua Property Partners PROCSA

<sup>78</sup> Exhibit 78 – Copy of Scope Matrix PROCSA

5.251. Below is a summary of the invoices issued to SMIC in respect of seven (7) service providers who worked on the renovation project. It should be noted that we were not provided with any invoices from Mvua Property Partners who was the Property Agent/Project Manager responsible for the renovations project:

**Table 25: Summary of total invoices issued by service providers to SMIC**

No	Contractor Name	Description of services	Total (M)
1	Aurecon	Electrical, Mechanical and Structural Engineering	5,103,430.53
2	EFS Construction	Construction	59,670,422.22
3	KTM Architects	Architecture	4,282,176.38
4	Moroa Property Investments	Project Management	8,121,825.95
5	Multi Nodal Development Consultants	Safety Health & Environmental Service	39,863.82
6	Ntsihlele Land Surveyors	Land Surveying	25,300.00
7	Scope Matrix	Quantity Surveying	2,871,379.21
<b>Grand Total</b>			<b>81,421,584.71</b>

5.252. We were not provided with PROCSA agreements for the following contractors:

5.252.1. Moroa Property Investment; and

5.252.2. Ntsihlele Land Surveyors.

5.253. We noted a copy of a SMIC Board Resolution<sup>79</sup> dated 16 June 2018, that Mvua Property Partners ceding all fee income earned for Project Management Services Sekhametsi Place to Moroa Property Investment. It appears that SMIC did not conclude another PROCSA with Moroa Property Investment after the cession took place.

#### **C1.6 Sekhametsi Place renovation invoices received from service providers**

5.254. We were not provided with a breakdown in respect of all the invoices issued by each of the seven (7) service providers for work performed in respect of the refurbishment and renovation work at Sekhametsi Place.

5.255. It should be noted that our analysis is based on the invoices provided to us during our investigation, due to the lack of maintaining adequate project management records, there may be other invoices issued to SMIC which do not form part of our analysis and if found the total cost of the Sekhametsi Place renovations project may increase.

<sup>79</sup> Exhibit 79 - Copy of Board Resolution ceding Mvua Properties Partners to Moroa Properties dated 16 June 2018

### C1.6.1 Aurecon Invoices total sum of M 5,103,430.53

5.256. Aurecon issued seven (7) invoices<sup>80</sup> to SMIC during 27 September 2018 to 12 December 2019, for a total of M5,103,430.53.

**Table 26: Invoices from Aurecon**

No	Invoice Date	Invoice Description	Amount (M)
1	27 September 2018	Sekhametsi FNB Office - Redevelopment	1,307,186.60
2	27 November 2018	Redevelopment of the FNB Center	1,307,186.60
3	17 May 2019	Redevelopment of the FNB Center	832,826.87
4	25 June 2019	Redevelopment of the FNB Center - Phase 1A	1,125,587.80
5	12 December 2019	Sekhametsi FNB Office - Redevelopment	165,877.70
6	12 December 2019	Sekhametsi FNB Office - Redevelopment	155,579.73
7	12 December 2019	Sekhametsi FNB Office - Redevelopment	209,185.23
<b>Total</b>			<b>5,103,430.53</b>

5.257. Our review of the SMIC bank statement found no reference of any payment processed to Aurecon during the period in question.

5.258. Since Covid-19 was confirmed in Lesotho on 13 May 2020, we find that the last invoice issued by Aurecon was prior to Covid-19 on 12 December 2019.

### C1.6.2 EFS Construction invoices totalling M59,670,422.22

5.259. EFC Construction issued 27 invoices<sup>81</sup> to SMIC from 05 March 2018 to 29 June 2020, for a total of **M59,670,422.22**.

**Table 27: Invoices from EFS Construction**

No	Invoice Date	Claim No	Description	Amount (M)
1.	05 March 2018	Not specified	CC -FNB - Remove existing tiles & screed - cast new screed	77,520.00
2.	02 October 2018	1	CC - Claim no 1 Redevelopment of FNB House Basement	1,295,790.68
3.	07 November 2018	2	CC - Claim no 2 Redevelopment of FNB House	2,784,839.31
4.	11 December 2018	3	CC - Claim no 3 Redevelopment of FNB House Basement	3,288,294.48
5.	11 December 2018	3	CC - Claim no 3 Redevelopment of FNB House Basement	4,350,507.11
6.	11 December 2018	4	CC - Claim no 4 Redevelopment of FNB House	3,288,294.48
7.	03 May 2019	8	CC - Claim no 8 Redevelopment of FNB House Basement	3,536,101.08

<sup>80</sup> Exhibit 80 – Aurecon Invoices

<sup>81</sup> Exhibit 81 – EFS Construction invoices

No	Invoice Date	Claim No	Description	Amount (M)
8.	03 May 2019	2	CC - Claim no 2 Redevelopment of FNB House Basement	2,485,807.82
9.	12 June 2019	3	CC - Claim no 3 Redevelopment of FNB House Basement	3,264,764.59
10.	12 June 2019	9	CC - Claim no 9 Redevelopment of FNB House	2,710,822.00
11.	23 July 2019	4	CC - Claim no 4 Redevelopment of FNB House Basement	3,090,175.61
12.	23 July 2019	10	CC - Claim no 10 Redevelopment of FNB House	3,672,446.19
13.	21 August 2019	11	CC - Claim no 11 Redevelopment of FNB House	586,188.70
14.	05 September 2019	6	CC - Claim no 6 Redevelopment of FNB House Basement	5,551,887.07
15.	05 September 2019	12	CC - Claim no 12 Redevelopment of FNB House	2,193,550.81
16.	16 October 2019	13	CC - Claim no 13 Redevelopment of FNB House	1,810,778.37
17.	16 October 2019	7	CC - Claim no 7 Redevelopment of FNB House Basement	1,940,118.91
18.	12 December 2019	15	CC - Claim no 15 Redevelopment of FNB House	461,695.30
19.	13 December 2019	9	CC - Claim no 9 Redevelopment of FNB House Basement	1,225,578.53
20.	20 February 2020	10	CC - Claim no 10 Redevelopment of FNB House Basement	754,240.91
21.	20 February 2020	16	CC - Claim no 16 Redevelopment of FNB House Basement	1,221,406.69
22.	24 March 2020	11	CC - Claim no 11 Redevelopment of FNB House Basement	1,021,789.86
23.	24 March 2020	17	CC - Claim no 17 Redevelopment of FNB House Basement	861,463.76
24.	05 June 2020	13	CC - Claim no 13 Redevelopment of FNB House Basement	1,245,550.89
25.	05 June 2020	19	CC - Claim no 19 Redevelopment of FNB House Basement	358,343.24
26.	29 June 2020	14	CC - Claim no 14 Redevelopment of FNB House Basement	3,737,973.98
27.	29 June 2020	20	CC - Claim no 20 Redevelopment of FNB House Basement	2,854,491.85
<b>Total</b>				<b>59,670,422.22</b>

5.260. We noted inconsistencies in that claim numbers on the description of the invoices are duplicated.

5.261. We noted that the four (4) of the last invoices were issued during June 2020 when Covid-19 was confirmed in Lesotho which amounts to M8,196,359.96.

### C 1.6.3 KTM invoices totalling M4,282,176.38

5.262. KTM Architects issued 30 invoices<sup>82</sup> to SMIC from 27 August 2016 to 09 December 2020, for a total of M4,282,176.38.

**Table 28: Invoices from KTM Architects**

No	Invoice Date	Description	Amount (M)
1.	27 August 2016	Refurbishment and renovations of the existing former Agric bank building	518,172.71
2.	12 June 2018	Construction of basement at former Agric bank building	71,894.89
3.	10 July 2018	Refurbishment and renovations of the existing former Agric bank building	1,038,345.43
4.	16 October 2018	Construction of basement at former Agric building	24,255.78
5.	16 October 2018	Refurbishment and renovations of the existing former Agric bank building	146,004.21
6.	30 November 2018	Refurbishment and renovations of the existing former Agric bank building	826,038.01
7.	12 December 2018	Refurbishment and renovations of the existing former Agric bank building	130,318.60
8.	18 February 2019	Refurbishment and renovations of the existing former Agric bank building	74,065.78
9.	22 March 2019	Refurbishment and renovations of the existing former Agric bank building	49,798.13
10.	23 April 2019	Refurbishment and renovations of the existing former Agric bank building	44,822.01
11.	23 April 2019	Refurbishment and renovations of the existing former Agric bank building	139,167.56
12.	12 June 2019	Refurbishment and renovations of the existing former Agric bank building	78,100.38
13.	30 July 2019	Construction of basement at former Agric bank building	38,633.94
14.	30 July 2019	Refurbishment and renovations of the existing former Agric bank building	45,913.71
15.	04 September 2019	Refurbishment and renovations of the existing former Agric bank building	34,752.90
16.	04 September 2019	Construction of basement at former Agric bank building	124,599.89
17.	16 October 2019	Refurbishment and renovations of the existing former Agric bank building	22,638.74
18.	07 November 2019	Construction of basement at former Agric bank building	13,531.79
19.	12 November 2019	Office rent for the period September 2019 to November 2019	8,107.50
20.	09 March 2020	Construction of basement at former Agric Building	9,429.69
21.	09 March 2020	Construction of basement at former Agric Building	26,106.36
22.	09 March 2020	Construction of basement at former Agric building	26,106.38
23.	17 March 2020	Office rent for the period December 2019 to March 2020	10,810.00

<sup>82</sup> Exhibit 82 – KTM invoices

No	Invoice Date	Description	Amount (M)
24.	04 June 2020	Refurbishment and renovations of the existing former Agric bank building	20,898.36
25.	04 June 2020	Construction of basement at former Agric building	40,922.88
26.	29 June 2020	Refurbishment and Renovations of the Existing Former Agric Bank Building	35,687.47
27.	29 June 2020	Construction of basement at former Aggric Building	46,732.95
28.	21 September 2020	Construction of basement at former Agric Building	235,045.69
29.	09 December 2020	Refurbishment and Renovations of the Existing Former Agric Bank Building (Main Building)	108,048.78
30.	09 December 2020	Construction of basement at former Agric Building (Basement)	293,225.86
	<b>Total</b>		<b>4,282,176.38</b>

5.263. We noted inconsistencies in that claim numbers on the description of the invoices are duplicated.

5.264. We noted that the four (4) of the last invoices we obtained were issued during June 2020 when Covid-19 was confirmed in Lesotho which amounts to M144,241.66.

#### C1.6.4 Moroa Property Investment invoices totalling M3,105,825.95

5.265. After Mvua ceded their contract to Moroa Property Investment, they issued 19 invoices<sup>83</sup> to SMIC totalling **M3,105,825.95** for Project Management from 16 July 2018 to 19 September 2020 in respect of the refurbishment of Sekhametsi Place.

**Table 29: Invoices from Moroa Property Investments**

No	Invoice Date	Description	Amount (M)
1.	16 July 2018	Project Management FNB House Renovations Maseru	705,037.40
2.	29 August 2018	Project Management FNB House Renovations Maseru	156,674.85
3.	30 October 2018	Project Management FNB House Renovations Maseru	139,267.30
4.	10 December 2018	Project Management FNB House Renovations - Basement Phase 1A	518,516.60
5.	10 December 2018	Project management FNB house renovations Maseru - Basement Phase 1A	518,516.60
6.	31 May 2019	Project Management FNB House Renovations Maseru	178,777.62
7.	06 August 2019	Project Management FNB House Renovations Maseru	62,670.05
8.	03 September 2019	Project management FNB house renovations Maseru - Basement Phase 1A	241,345.44

<sup>83</sup> Exhibit 83 – Mora Property Investments invoices

No	Invoice Date	Description	Amount (M)
9.	09 October 2019	Project Management FNB House Renovations Maseru	57,500.69
10.	09 October 2019	Project Management FNB House Renovations - Basement Phase 1A	60,336.36
11.	21 November 2019	Project Management FNB House Renovations Maseru	36,505.08
12.	21 November 2019	Project Management FNB House Renovations - Basement Phase 1A	56,565.34
13.	18 March 2020	Project Management FNB House Renovations - Basement Phase 1A	10,350.00
14.	18 March 2020	Project Management FNB House Renovations Maseru	26,735.03
15.	29 June 2020	Project Management FNB House Renovations - Basement Phase 1A	56,564.99
16.	29 June 2020	Project Management FNB House Renovations Maseru	62,670.40
17.	16 September 2020	Project Management FNB House Renovations - Basement Phase 1A	9,427.47
18.	16 September 2020	Project Management FNB House Renovations Maseru	15,618.15
19.	16 September 2020	Project Management FNB House Renovations - Basement Phase 1A	192,746.58
<b>Total</b>			<b>3,105,825.95</b>

#### C1.6.5 Multi Nodal Development Consultants invoices totalling M39,863.82

5.266. Multi Nodal Development Consultants issued two (2) invoices<sup>84</sup> to SMIC from 27 August 2018 and 28 November 2018, for a total of M39,863.82.

**Table 30: Invoices from Multi Nodal Development Consultants**

No	Invoice Date	Description	Amount (M)
1.	23 August 2018	Safety Health & Environmental Services - FNB House Project	17,113.30
2.	28 November 2018	Safety Health & Environmental Services - FNB House Project	22,750.52
<b>Total</b>			<b>39,863.82</b>

#### C1.6.6 Ntsihlele Land Surveyors invoice totalling M25,300.00

5.267. Ntsihlele Land Surveyors issued one (1) invoice<sup>85</sup> to SMIC dated 18 June 2018, for a total of M25,300.00.

<sup>84</sup> Exhibit 84 – Multi Nodal Development Consultants invoices

<sup>85</sup> Exhibit 85 - Ntsihlele Land Surveyors invoice

**Table 31: Invoices from Ntsihlele Land Surveyors**

No	Invoice Date	Description	Amount (M)
1.	18 June 2018	Topographic survey of the FNB site	25,300.00
<b>Total</b>			<b>25,300.00</b>

**C1.6.7 Scope Matrix invoice totalling M2,871,379.21**

5.268. Scope Matrix issued 18 invoices<sup>86</sup> to SMIC from 12 July 2018 to 16 September 2020, for a total of M2,871,379.21

**Table 32: Invoices from Scope Matrix**

No	Invoice Date	Description	Amount (M)
1.	12 July 2018	Quantity surveying services	385,642.10
2.	12 July 2018	Quantity Surveying services per schedule attached	385,642.10
3.	22 November 2018	Quantity Surveying services per cashflow	113,153.00
4.	10 December 2018	Quantity Surveying services per cashflow - basement	322,449.65
5.	17 April 2019	Quantity Surveying services per cashflow	345,000.00
6.	27 May 2019	Quantity surveying services - basement	92,000.00
7.	12 July 2019	Quantity surveying services - basement	92,000.00
8.	05 August 2019	Quantity surveying services - Phase 1	94,875.00
9.	02 September 2019	Quantity surveying services - basement	92,000.00
10.	02 October 2019	Quantity surveying services - basement	92,000.00
11.	04 November 2019	Quantity surveying services - Phase 1	105,933.70
12.	04 December 2019	Quantity surveying services - basement	92,000.00
13.	13 January 2020	Quantity surveying services - basement	92,000.00
14.	03 February 2020	Quantity surveying services - basement	117,703.35
15.	05 March 2020	Quantity Surveying services - variation fees	86,250.00
16.	29 June 2020	Quantity surveying services - Interim Variation Fees	138,000.00
17.	13 July 2020	Quantity surveying services - Property Valuation Fees	25,300.00
18.	16 September 2020	Quantity surveying services - basement	199,430.31

<sup>86</sup> Exhibit 86 – Scope Matrix invoices

No	Invoice Date	Description	Amount (M)
<b>Total</b>			<b>2,871,379.21</b>

- 5.269. We noted inconsistencies in that claim numbers on the description of the invoices are duplicated.
- 5.270. We noted that the two (2) of the 18 invoices we obtained were issued during June and July 2020 when Covid-19 was confirmed in Lesotho which amounts to M163,300.00.
- 5.271. We performed a comparative analysis between the PROCSA contract amounts, invoices and bank statements provided to us to establish whether any of the service providers were overpaid. Our findings in respect of the value of the contract as stipulated in the PROCSA agreement tested against the invoices issued by the service providers are summarised in the table below (Our analysis is based on limited information obtained during our forensic data analytical processes):

**Table 33: Summary of contractors and/or service providers**

No	A	B	C	D
No	Service Provider Name	PROCSA Contract Value Professional Fees (M)	Invoices Value (Including VAT) (M)	Variance over/under budget (B-C) (M)
1.	Aurecon (Mechanical Engineer)	754,131.00	Unable to align the 7-invoices to work deliverables	
	Aurecon (Structural Engineer)	305,084.00		
	Aurecon (Electrical Engineer)	936,953.00		
	<b>Combined PROCSA for Aurecon</b>	<b>1,996,168.00</b>		
2.	EFS Construction	51,964,159.65	59,670,422.22	<b>7,706,262.57</b>
3.	KTM Architects	2,252,928.00	4,282,176.38	<b>2,029,248.38</b>
4.	Multi-Nodal Development	227,979.10	39,863.82	<b>(188,115.28)</b>
5.	Mvua Property Partners	1,362,392.00	25,300.00	<b>(1,337,092.00)</b>
6.	Moroa Property Investment (Mvua ceded to Moroa Property)	1,337,092.00	3,105,825.95	<b>1,768,733.95</b>
7.	Scope Matrix	1,290,852.00	2,871,379.21	<b>1,580,527.21</b>
8.	Math Properties	0.00	0.00	<b>0.00</b>
9.	Ntsihlele Land Surveyors	0.00	25,300.00	<b>25,300.00</b>
<b>Total</b>		<b>58,841,199.65</b>	<b>75,123,698.11</b>	<b>14,692,127.36</b>

- 5.272. When comparing the contract values as stated in the PROCSA we noted that seven (7) of the nine (9) service providers invoiced more than their contractual amounts. We were also not provided with any addendum or variation order submissions to understand the reason for invoicing SMIC more than the contractual amount.

5.273. We were not provided with the bank contra-data to determine whether the amounts invoiced were indeed paid to the account beneficiaries as stated on the respective invoices. However, the above schedule of invoices issued by the service providers indicates that SMIC was invoiced **M14,692,127.36** more than the PROCSA agreements.

## C2. Vodacom Park Building

5.274. We have not been provided with any information by SMIC in respect of the construction of Vodacom Park building. This therefore limited us in performing any investigation procedures.

5.275. We reviewed the PDF letters of appointment of contractors relating to the construction of the Vodacom Park building. We noted that Paragraph 1.0 of the agreements sets out the construction budget for the Vodacom Park building as follows:

5.276. “M51,954,423 (excluding VAT) including the following:

- Electrical services M5,887,498.75
- Mechanical Services M7,632,365.30
- Civil/Structural Services M12,302,186.90”

5.277. We further noted that Paragraph 1.0 sets out the applicable fees per agreement as set out in the table below:

**Table 34: Fees per consultant for Vodacom Park Building**

Consultants	Consultant Category	Contract Date	Date of Appointment	Contract Value (Excl VAT)
Khatleli Tomane Moteane	Architect	28 April 2015	September 2013	2,869,423.00
Multi- Nodal Development Consultants	Environmental Management Planning	26 May 2015	May 2015	35,228.00
Aurecon Lesotho in association with Elemec	Electrical and Mechanical Components	28 April 2015	May 2015	1,425,152.95
DpD and Associates	Quantity Surveying Component	28 April 2015	September 2013	1,704,207.77

5.278. The information provided is very limited and therefore we were not able to draw any meaningful conclusions.

## C3. Recruitment of CEO

5.279. According to paragraph 60(1) of the Lesotho Companies Act, the Board may appoint an executive officer to exercise the day-to-day management functions of a company.

- 5.280. We were mandated to investigate the recruitment processes leading to the appointment of the CEO, as well as, how his remuneration was determined.
- 5.281. We reviewed Board minutes<sup>87</sup> of a meeting held on 06 February 2021 and noted the following matters discussed during the meeting:
- 5.281.1. The Board noted the need to implement an organisational structure; and
- 5.281.2. The Board noted an urgent need to conduct needs assessment and job profiling.
- 5.282. The Board resolved the following:
- 5.282.1. Approval of appointment of a consultant to map and prepare job profiling; and
- 5.282.2. Directors Thamae, Maema and Kotelo were tasked with preparing Terms of Reference in respect of the appointment of said consultant.
- 5.283. We further reviewed undated and unsigned Terms of Reference<sup>88</sup> (SMIC/TOR/2021/0002) for the appointment of Human Resource Consulting Services. The Terms of Reference set out the following scope of services required:
- 5.283.1. Review the existing SMIC organogram and its suitability to deliver on the business strategy and make appropriate recommendations;
- 5.283.2. Review existing job descriptions and develop job profiles for new positions on the proposed structure to be jointly agreed; and
- 5.283.3. Undertake job evaluation and grading for the positions.
- 5.284. Although the minutes and Terms of Reference does not explicitly state the position(s) in question, we understand from our consultation with Mr Moteane that the creation of a CEO post, was intended to unburden the Board from daily operational responsibilities.
- 5.285. During our digital forensics analysis of data obtained from Mr Lebete's device, we noted a grading report<sup>89</sup> prepared by IDM dated 02 December 2021. According to the report, the purpose thereof was to "...outline how the technical assistance with recruitment and selection services for the position of Chief Executive Officer (CEO) for Sekhametsi Investment Consortium (SMIC) will be executed".
- 5.286. Our analysis of the grading report identified that IDM developed a proposed remuneration structure for SMIC, aligned with the Survey Market Report. We noted that IDM calculated the salary structure for the CEO position based on the job evaluation and salary market survey as follows:

**Table 35: Proposed salary structure for CEO position**

<sup>87</sup> Exhibit 87 – Copy of board meeting minutes held on 06 February 2021

<sup>88</sup> Exhibit 88 – Copy of unsigned Terms of Reference

<sup>89</sup> Exhibit 89 – Grading Report by IDM dated 02 December 2021

Position	Patterson Grade	SMIC Proposed Monthly Cost to Company (M)		
		Min	Mid	Max
Chief Executive Officer	Band E5	92,49.52	99,89.25	107,28.99

5.287. A remuneration structure in respect of Bands A3 to E5 is also outlined in the grading report as well as notches indicating how salaries would be adjusted and increased over time.

5.288. IDM proposed the following 17 positions:

5.288.1. Office Assistant

5.288.2. Driver

5.288.3. Receptionist

5.288.4. Accounts Assistant

5.288.5. Assistant Admin

5.288.6. Management Secretary

5.288.7. Personal Secretary

5.288.8. Accountant

5.288.9. IT Officer

5.288.10. Investment Analyst

5.288.11. Human Resource & Administration Officer

5.288.12. Human Resources & Administration Manager

5.288.13. Finance Manager

5.288.14. Investment Manager

5.288.15. Corporate Secretary

5.288.16. Deputy Chief Executive Officer

5.288.17. Chief Executive Officer

5.289. The grading report further expands on a variety of benefits and allowances to augment and enhance the competitiveness of SMIC's remuneration packages, subject to affordability and ability to pay. Based on the market survey and job evaluation the following allowances and benefits are recommended in IDM's report to be paid to SMIC staff:

- 5.289.1. Basic salary adjusted by annual inflationary rate subject to affordability;
- 5.289.2. All staff members be given gratuity ranging from 25% to 38.5%;
- 5.289.3. All staff members receive 10% of the basic salary contributed towards their pension by SMIC and employees contribute 5%;
- 5.289.4. Staff members be provided with medical aid of their choice in that SMIC either pays a full amount of the option chosen by staff or SMIC contributes a certain percentage towards the medical aid for the staff and their dependents;
- 5.289.5. Housing allowance depending on SMIC's affordability as follows:
  - 5.289.5.1. CEO 19%
  - 5.289.5.2. Deputy CEO 17%
  - 5.289.5.3. Managers 15%
  - 5.289.5.4. Officers 13%
  - 5.289.5.5. Lower levels 10%
- 5.289.6. Car allowance as follows:
  - 5.289.6.1. The CEO be provided with a company car for official and personal use but if not he/she be given 20% of basic salary.
  - 5.289.6.2. Deputy CEO, 15%
  - 5.289.6.3. Managers, 10%
- 5.289.7. Monthly airtime allowance as follows:
  - 5.289.7.1. CEO, 5%
  - 5.289.7.2. Deputy CEO, 4%
  - 5.289.7.3. Managers, 2%
- 5.289.8. Utility allowance as follows:
  - 5.289.8.1. CEO, 2%
  - 5.289.8.2. Deputy CEO, 1%
- 5.289.9. Managers and CEO be given data worth of M500.00 per month.
- 5.289.10. Group Life Assurance as follows:
  - 5.289.10.1. SMIC should ensure their staff against accident and death.
- 5.289.11. Workmen's compensation as outlined by the 1992 Lesotho Labour Code

5.289.12. SMIC should pay at least one professional membership for its staff.

5.290. We noted that the Directors Affairs Committee (“DAC”) had a meeting on 27 August 2021. We noted the following from the proposal<sup>90</sup> by the DAC:

5.290.1. The purpose of the paper is to provide information to the SMIC Board of Directors on DAC progress on pursuing staff recruitment for the company as per the SMIC’s organogram and request approval for recruitment of CEO;

5.290.2. The DAC outlined the following justification for the proposed recruitment of a CEO:

*“It is important to have in place a responsible person with undivided attention to manage the day-to-day operations of the company. Bringing a CEO on board relieves the resource/ manpower gap”*

5.290.3. The DAC proposed that the position of the CEO be advertised as soon as possible and also outlined a project action plan with timelines.

5.291. We reviewed two (2) proposals submitted by Mandarin Advisory<sup>91</sup> and IDM<sup>92</sup> and noted that the two (2) recruitment firms were responding to a request for “PROVISION OF RECRUITMENT SERVICES FOR THE ROLE OF CHIEF EXECUTIVE OFFICER”. We were not provided with any Terms of Reference to which the recruitment firms responded.

5.292. We inspected an undated and unsigned evaluation report<sup>93</sup> and noted that the DAC evaluated two (2) proposals and recommended the following for Board approval:

5.292.1. The DAC recommends that the Board approve engagement of a recruitment firm to assist with the recruitment in a transparent manner;

5.292.2. Both companies evaluated have negotiable terms regarding the fees; and

5.292.3. Iteration of the sentiment that the Board aligned with, that it acceptable for suitably qualified SMIC shareholders to be considered for the position. This proposal supports the succession strategy logic. It also provides the benefit of a competent CEO with vested interest in the growth of the company.

5.293. We further identified a note at the end of the evaluation document which states as follows:

*“Mr. Leboela Lebete - SMIC Board Chairman has disclosed his interest to be in the race and recused himself from the recruitment process. Director Palo Kotelo is proposed for replacement”*

<sup>90</sup> Exhibit 90 – Copy of Proposal by DAC

<sup>91</sup> Exhibit 91 – Copy of Proposal submitted by Mandarin Advisor

<sup>92</sup> Exhibit 92 – Copy of Proposal submitted by IDM

<sup>93</sup> Exhibit 93 – Copy of unsigned evaluation report by DAC

- 5.294. Considering that the evaluation report is not dated, we have no information regarding when exactly the above disclosure was made by Mr Lebete. We were also not provided with any Board minutes subsequent to IDM's appointment which would validate that indeed Mr Lebete recused himself from discussions related to the filling of the CEO post.
- 5.295. We reviewed minutes of The Special Board Meeting<sup>94</sup> held on 30 September 2021 and noted that the Board resolved to appoint IDM as the Recruitment Consultant.

### C3.1. IDM Report dated 11 February 2022

- 5.296. Through our review of the data obtained through imaging / digital forensics processes, we uncovered a report<sup>95</sup> by IDM dated 11 February 2022. We noted that the purpose of the report is to outline how IDM provided technical assistance to SMIC in respect of the recruitment and selection for the position of CEO of SMIC. We noted the following key points from our review of the IDM report:
- 5.296.1. The interviews were held on the 24 January 2022 by SMIC Board Members and team members from IDM;
- 5.296.2. The interview panel consisted of the following individuals:

**Table 36: List of interview panel members**

Name	Role	Organisation
Mathabo Sebilo	Chairperson & Consultant	IDM
Matšelisiso Ramokotjo	Recording & Consultant	IDM
Morena Mokhathi	Consultant	IDM
Tšo Sechaba	Consultant	IDM
Lebohang Khomari	Board Member	SMIC
Matjato Moteane	Board Member (observer)	SMIC
Tholo Seeiso	Board Member (observer)	SMIC
Limphe Maema	Board Member (observer)	SMIC

- 5.297. According to the report, the applicants were assessed on the following criteria:
- 5.297.1. A customized case study;
- 5.297.2. Candidate interviews; and

<sup>94</sup> Exhibit 94 – Copy of minutes of The Special Board Meeting held on 30 September 2021

<sup>95</sup> Exhibit 95 – Copy of report by IDM dated 11 February 2022

5.297.3. Psychometric assessment which was customised for the portfolio.

5.298. The following four (4) candidates were invited to present case studies and to attend interviews for the CEO position on 24 January 2022:

5.298.1. Mr Leboela Lebete;

5.298.2. Mr Thabo Moleko;

5.298.3. Mr Likhapha Seliane; and

5.298.4. Mr Teboho Makoetlane.

5.299. In addition to the above, the four (4) candidates were also invited to undergo psychometric assessments.

5.300. Below is a summary of how each candidate scored on the competency-based assessment and the psychometric assessment, together with the recommendation by IDM:

**Table 37: Summary of CEO candidate scores**

Name	Competency Based Assessment Average Score (Weight = 60%)	Psychometric Assessment Average Score (Weight = 40%)	Final Mark	Remarks	Recommendation
Mr Teboho Makoetlane	54	21.6	75.6	Excellent fit for the position	Highly Recommended
Mr Leboela Lebete	50.4	14.8	65.2	Good fit for the position	Recommended
Mr Likhapha Seliane	43.8	16.8	60.6	Above average and maybe considered for the position	Recommended
Mr Thabo Moleko	35.4	21.6	57	Above average least to be considered	Least Recommended

- 5.301. From the above scoring we noted that Mr Teboho Makoetlane was the highly recommended candidate for the position as he scored the highest during interviews and on the psychometric assessment as well.
- 5.302. IDM concluded that SMIC Board of Directors choose one candidate for position based on the recommendations made.
- 5.303. We were not provided with any Board minutes or Board resolution in respect of who the Board chose as the successful candidate for the CEO position. However, according to Mr Moteane and Mr Sefako, a Board meeting was held and the Board collectively decided that Mr Lebete was the suitable candidate due to the fact that he understood the business operations of SMIC.

### C3.2 CEO Employment Contract

- 5.304. We inspected Mr Lebete’s employment contract signed on 02 May 2022, as an employee of SMIC, and signed by Mr Lerotholi Seeiso (“Mr Seeiso”), former SMIC Board member, on behalf of SMIC.
- 5.305. We noted that the Mr Lebete took office with effect from 01 June 2022, and the employment was for a period of three (3) years.
- 5.306. We further noted from the employment contract that Mr Lebete’s basic salary amounts to M72,000.00 per month and other benefits include medical aid, housing allowance, communications and fuel at M18,000.00 per month. Total monthly remuneration package amounting to M90,000.00.
- 5.307. When comparing the remuneration package per the employment contract to the IDM grading report, we noted that Mr Lebete’s monthly remunerations was lower that the recommended minimum monthly remuneration package.

**Table 38: Comparison of CEO monthly remuneration**

Description	SMIC Proposed monthly Cost to Company (M)		
	Min	Mid	Max
IDM proposed salary structure for CEO	92,49.52	99,89.25	107,28.99
Mr Lebete’s salary structure as per employment contract	90,000.00		

- 5.308. We reviewed the bank statements of SMIC and noted that Mr Lebete’s salary remained unchanged since inception of his employment contract. We also did not identify any performance bonuses or similar incentives paid to Mr Lebete, over and above his salary.
- 5.309. We therefore conclude that Mr Lebete’s salary bracket was determined by IDM and SMIC appointed him on a lower scale despite IDM’s recommendation.

**C3.3. Appointment of Mmamolise Mojaje**

- 5.310. We requested Mr Selikane and Mr Makhate to provide us with information regarding the appointment of Mamolise Mojaje and all supporting documents thereof. At the date of this report, we had not received this information from SMIC.

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**D. Stream 3**

**D1. Sekhametsi Enterprise (Pty) Ltd**

5.311. We were mandated to review all transactions relating to payment of dividends from Vodacom Lesotho to determine any irregular payments and/or suspicious transactions. Considering that all dividends were paid into the Sekhametsi Enterprise's bank account, below is our analysis of transactions to and from this account

**D1.1 Bank Statement Analysis**

5.312. We were provided with Sekhametsi Enterprise's Nedbank bank statements for the period March 2023 to September 2023 (account number: 21000039109) and identified the following:

- 5.312.1. Funds are transferred (swept) regularly to another account, likely a deposit account to earn interest;
- 5.312.2. Income is primarily derived from rental income, dividends, and a one-time finance payment. Further inquiry is recommended to clarify the nature of this finance payment;
- 5.312.3. A transfer of M19 million was made to the SMIC FNB account (account number: 63033745978) on 19 July 2023. Our review of the SMIC FNB account indicates that the funds were distributed to shareholders as a dividend payout; and
- 5.312.4. No other large payments were noted, aside from the daily transfers to the interest-bearing account, the M19 million transfer to the SMIC FNB account on 19 July 2023, and routine bank charges.

**D1.2 Contra Data Analysis**

5.313. We conducted an analysis of the limited Contra Data for the period 31 October 2016 to 09 February 2024 for the following Sekhametsi Enterprises bank accounts:

- 5.313.1. 11990102092 – Account type not provided to us by SMIC
- 5.313.2. 15050000017 – Clearing account
- 5.313.3. 21000039109 – Current account
- 5.313.4. 91900000068 – Call account

5.314. Our analysis identified payments totalling R796,836,675.33, comprising of transfers between the above accounts and payments to third parties.

5.315. The Contra Data provided to us by SMIC is limited in that it does not reflect incoming payments from third parties.

5.316. A detailed breakdown of all payments and transfers between the four (4) SME accounts is provided in the tables below:

5.317. The following payments and transfers were made from the 91900000068 Nedbank Call account to two (2) accounts:

**Table 39: Summary of payments and transfers made from the 91900000068 Nedbank Call account**

Account Number	Account Description	Number of transactions	Amount (ZAR)
12920000197	Bulk Suspense Account - H/O	1	12,090.57
21000039109	Sekhametsi Enterprises Pty Ltd	9	62,399,242.50
<b>Total</b>		<b>10</b>	<b>62,411,333.07</b>

5.317.1. Our analysis did not identify any payment to external parties from this account for the review period.

5.318. The following payments and transfers were made from the 11990102092 Nedbank account to the following four (4) accounts:

**Table 40: Summary of payments and transfers made from the 11990102092 Nedbank account**

Account Number	Account Description	Number of transactions	Amount (ZAR)
11990054640	Scope Matrix (Pty) Ltd	1	190,759.43
15050000017	Cbl Clearing Account	4	4,715,870.51
21000039109	Sekhametsi Enterprises Pty Ltd	2	111,775.42
535018070	(blank)	1	150.00
<b>Total</b>		<b>8</b>	<b>5,018,555.36</b>

5.318.1. Our analysis identified a third-party payment to the value of M190,759.43 was made to Scope Matrix, who was appointed as the Quantity Surveyor for the refurbishment of Sekhametsi Place. We were not provided with any supporting documents to substantiate the payment made to Scope Matrix; and

5.318.2. The payment in respect of M150.00 has no payment description details in the Contra Data. We are therefore unable to determine the recipient of the funds.

5.319. The following 112 transactions are transfers made from the 15050000017 Nedbank Clearing account to the SME Current account:

**Table 41: Summary of 112 transactions are transfers made from the 15050000017 Nedbank Clearing account**

Account Number	Account Name	Number of transactions	Amount (ZAR)
21000039109	Sekhametsi Enterprises Pty Ltd	112	375,462,710.24
<b>Total</b>		<b>112</b>	<b>375,462,710.24</b>

5.319.1. Our analysis did not identify any payment to external parties from this account for the review period.

5.320. The following 160 transactions payments and transfers were made from the 21000039109 Nedbank Current account:

**Table 42: Summary of 160 transactions payments and transfers made from the 21000039109 Nedbank Current account**

Account Number	Account Name	Number of transactions	Amount (ZAR)
101001105	(blank)	1	10.00
11990054640	Scope Matrix (Pty) Ltd	9	1,082,957.70
11990102092	Sekhametsi Enterprises Pty Ltd.	2	5,018,822.36
15050000017	Cbl Clearing Account	84	296,654,518.18
21000003473	Lebohang Teboho Khomari	7	129,363.00
21000005816	Mrs Seitebatso Mathealira Seeiso	2	40,184.38
21000010364	Moteane Matjato Neo	7	217,437.50
21000061313	Minet Lesotho (Pty) Ltd	1	375,956.17
21000069814	Mkm Star Lion Group Estate Admin	2	45,760,000.00
21000085836	Sekhametsi Properties Ltd	2	4,390,002.48
22000207458	Thomello Chrisistom Mabaso	32	192,000.00
22000237748	Nkau Bernard Matete	1	18,000.00
224001450	(blank)	1	0.08
535001630	(blank)	4	94.20
535002015	(blank)	2	12.90
535018085	(blank)	1	40.62
9080001356689	LSL	1	32,323.05
9080006848512	LSL	1	32,354.04
<b>Total</b>		<b>160</b>	<b>353,944,076.66</b>

5.320.1. We were not provided with source documents to substantiate the payments processed for the Nedbank Current account to external parties and can therefore not adequately account for the nature of the expenses.

## E. Related Parties

### E1. Selemo Capital.

5.321. Selemo Capital was appointed by VDI as a promoter to market VDI to potential new investors;

5.322. Selemo Capital was also appointed to perform the valuation of VDI;

5.323. Selemo Capital shares a common director, Mr Molapokatse/Molambogazi Fanana (“Mr Fanana”), with Creative Lab;

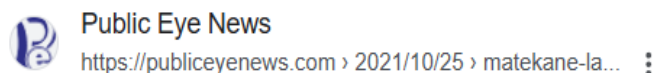
- 5.324. Creative Lab was appointed by SMIC to manage logistical arrangements for the trip to Dubai for the Expo, including marketing and flight tickets (among other items)
- 5.325. We reviewed email correspondence<sup>96</sup> between Mr Fanana, and Mr Lebete, where Mr Fanana provides Mr Lebete with a “comprehensive” valuation model.

*“Good afternoon,  
Attached; See 5- 10 year financial model for VDI as promised,  
The current valuation of the business is approx 1.5 billion. However, this will be packed at the discussed and agreed M580 valuation for Sekhametsi;  
The model is quite comprehensive and needs to be reviewed studiously,  
Please let me know if you want me to take you through it tomorrow or early January?  
Regards,  
Fanana”*

- 5.326. There is a concern about a possible conflict of interest due to Selemo Capital acting both as promoter of VDI as well as performing the valuation of VDI, potentially inflating VDI’s value for personal gain.

## E2. Organica Global Brands

- 5.327. Matekane Group of Companies (“MGC”), who is also a major shareholder of VDI, launched a pharmaceutical company called Organica Global Brands



### Matekane launches new company

25 Oct 2021 — Renowned businessman and owner of Matekane Group of Companies (MGC), Sam Matekane, has launched a new company known as **Organic Global Brands**.

**Figure 1: Extract from open-source searches on Google**

- 5.328. From our searches in the Lesotho Companies Registry, we noted that at a point in time (during 22 May 2016, Mr Ntsokoane Samuel Matekane (“Mr Matekane”) was also the common director and shareholder in both MGC and Organica Global Brands.
- 5.329. Organica Global Brands and MGC are related parties due to the common shareholder, and common director being Mr Matekane.

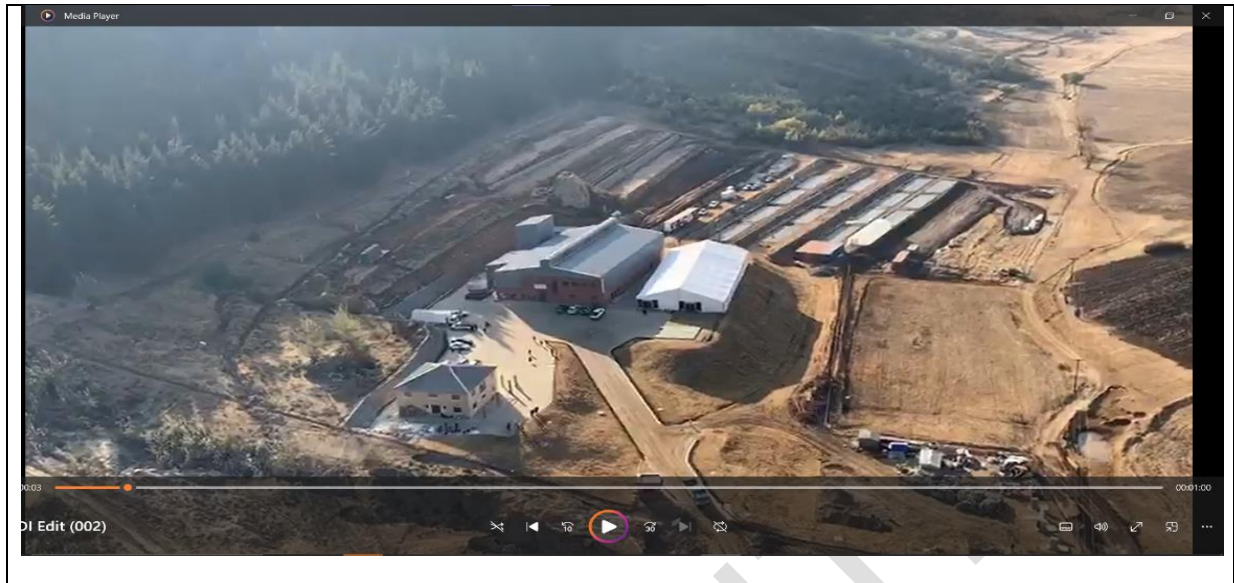
<sup>96</sup> Exhibit 96 - Email correspondence between Mr Fanana, and Mr Lebete dated 23 December 2021

- 5.330. We find that Organica Global Brands and VDI is connected due to Mr Matekane’s shareholding in MGC, and MGC’s shareholding in VDI.
- 5.331. We reviewed the Organica Global Brands promotional video (Website: <https://www.youtube.com/watch?v=CyCSrj8XbEE>) on YouTube and identified that the property displayed in the video appears to be the same property as that of VDI, located at Bela-Bela, Berea District Lesotho as in the figure below:



**Figure 2: Premises of Organica Global Brands located in Bela-Bela, Berea District Lesotho**

- 5.332. We performed a comparative analysis of the VDI promotional video against that of Organica Global Brands, and identified commonalities between the videos as in the figure below:



**Figure 3: Premises of VDI located in Bela-Bela, Berea District Lesotho**

- 5.333. Through inspection of the Replace Cost Valuation document prepared Inani Valuers, we noted that the property featured in the two promotional videos referenced above is leased to VDI, by MGC Properties (Pty) Ltd.
- 5.334. Mr Matekane, and MGC is noted as the two shareholders of MGC Properties, therefore making MGC Properties a related party to VDI and Organica Global Brands.

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**REPLACEMENT COST VALUATION**

Of

Verve Dynamics Botanical Extraction Plant

Located at

Bela-Bela, Berea District, Lesotho



**Client:** Verve Dynamics (Pty) Ltd

**Valuer:** Andre Steyn

**Tel No:** 072 307 0375

**Cell No:** 084 209 3823

**E-Mail:** [AndreS@inanivaluers.co.za](mailto:AndreS@inanivaluers.co.za)

*Figure 4: Extract from valuation report prepared by Inani Valuers*

5.335. Below is a table summarising the shareholders and directorship of various individuals as it relates to the entities discussed in this report:

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#	A	B	C	D	E	F	G	H
	VDI	Cann Invest Africa (Pty) Ltd	Matekane Group of Companies	Organica Global Brands	Creative Lab	Selemo Investments Holdings (Pty) Ltd	Afri Expo Textiles	MGC Properties (Pty) Ltd
<b>Shareholders</b>								
1	Cann Invest Africa Pty Ltd		Mr Ntsokoane Samuel Matekane	Mr Ntsokoane Samuel Matekane	Selemo Investments Holdings (Pty) Ltd		Sekhametsi Investment Consortium Ltd	
2	Matekane Group of Companies (Pty) Ltd		Mr Thato Judith Matekane		Mr Ts'okolo Makeka		Mr Teboho Kobeli	
3			Mr Motjoka Matekane		Mr Mpho Brown		Mrs Mabokang Kobeli	
4			Mrs Malineo Mabokang Kobeli				Mr Lenka Mphafi	
5			Mr Peter Malay					
<b>Directors</b>								
6	Mr Richard Paul Davies	Mr Richard Paul Davies	Mrs Malineo Mabokang Kobeli	Mr Ntsokoane Samuel Matekane	Mr Mpho Brown	Mr Molapokatse Fanana	Mr Teboho Kobeli	

#	A	B	C	D	E	F	G	H
	VDI	Cann Invest Africa (Pty) Ltd	Matekane Group of Companies	Organica Global Brands	Creative Lab	Selemo Investments Holdings (Pty) Ltd	Afri Expo Textiles	MGC Properties (Pty) Ltd
7		Mr Mark Kemp	Mr Peter Malay	Miss Mamotake Constance Matekane	Mr Ts'okolo Makeka		Mrs Mabokang Kobeli	
8			Mr Ntsokoane Samuel Matekane	Mr Ntee Nelson Tsiu			Mr Lenka Mphafi	
9			Mr Thato Judith Matekane					
10			Mr Motjoka Matekane					

5.336. From the above table, the following is observed:

- 5.336.1. Mr Ntsokoane Samuel Matekane, the majority shareholder and director of Matekane Group of Companies, was also the sole shareholder of Organica Global Brands as of 16 May 2022. Mr Matekane also has an indirect interest in VDI, in that he serves as a director and shareholder of MGC, who owns a direct shareholding in VDI;
- 5.336.2. Selemo Investment Holdings is a majority shareholder of Creative Lab, though no common directorship was identified;
- 5.336.3. Mr Richard Paul Davies served as a director of both Cann Invest Africa and VDI.
- 5.336.4. Mrs Malineo Mabokang Kobeli was a shareholder and director in both Matekane Group of Companies and Afri Expo Textiles.

- 5.336.5. The information gathered through SMIC Board consultations, open-source searches, and business extract reviews highlight potential conflicts of interest and related party connections between VDI, Selemo Investment Holdings, Creative Lab, Organica Global Brands.
- 5.336.6. These relationships, particularly the dual role of Selemo Capital as promoter and valuer of VDI, and the shared directorships and properties, raise concerns about governance and transparency.
- 5.336.7. Further investigation may be warranted to assess the impact of these relationships on the valuation and operations of VDI as well as the SMIC Board's decision to invest in VDI in the first place.

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**F. Digital Forensics – Extraction from 1 Terabyte External Hard drive**

- 5.337. During our consultations with the Supervisory Team and various current and former SMIC Board members, it became apparent that the former Board Company Secretaries stored minutes of all Board meetings on a 1 Terabyte external hard drive.
- 5.338. We obtained this hard drive from SMIC and noted that it had been damaged (shock damage on the hard drive possibly attributed to it being dropped on the ground or it being placed close to a magnet for an extended period of time). Our Forensic Digital Analytics team undertook a process to repair the hard drive and extract any usable information. Our Digital Analytics team outlined the following procedures followed and outcome of the extraction:
- 5.338.1. The recovery itself went through various iterations. Software, Hardware, Specialized magnetic checks, reseating, etc;
  - 5.338.2. The process of attempting to extract any usable data from the hard drive showed that only 3GB of information was recoverable and it was evident that the information may have some logical damage (away from the physical damage recovery attempt);
  - 5.338.3. In summary, 3GB out of 1000TB was recovered from the damaged hard drive;
  - 5.338.4. Magnetic scans show extensive damage to the hard drive;
  - 5.338.5. Our Digital Forensics team generated an HTML report<sup>97</sup> which shows the files that were recovered. We reviewed the recovered files and noted some short clip recordings that would not open due to the extensive damage to the hard drive; and
  - 5.338.6. The hard drive was confirmed to be damaged.

<sup>97</sup> Exhibit 97 - Digital Forensics HTML report

## 6. Recommendations

6.1. We find that the former SMIC Board of Directors failed to perform their duties as outlined in subsection 63 (1) and (2) of the Lesotho Companies Act, 18 of 2011, which states:

(1) *“Subject to subsection (2) a director of a company, when exercising power or performing duties, shall act in good faith and on reasonable grounds in the interest of the company.*

(2) *A director of a company, when exercising power or performing duties as a director, shall exercise the care, diligence and skill that a reasonable director would exercise in the same circumstances taking into account the nature of the business of the company, the nature of the decision taken, the position of the director and the nature of the responsibilities under that director.”*

6.2. We recommend that SMIC consider holding the following former directors jointly and severally liable to SMIC and its shareholders for any loss suffered by SMIC its shareholders as a result of the director’s failure to perform their duties as prescribed in subsection 63 (1) and (2) of the Lesotho Companies Act in that:

6.2.1. A Pledge of \$12,000.00 (M180,000.000) was paid to LNDC without due approval by the SCMIC Board by:

6.2.1.1. Mr Lebete

6.2.1.2. Mr Moteane

6.2.2. No competitive procurement process was followed with the appointment of Creative Lab in respect of rendering services for the Dubai Expo, resulting into the subsequent approval of M315,682.22 by:

6.2.2.1. Mr Lebete

6.2.2.2. Mr Moteane

6.2.3. The SMIC Board of directors did not approve the budget in respect of the work performed for the Dubai Expo resulting in the unauthorised expenditure of M315,682.22.

6.2.4. The SMIC Board of directors did not approve that a trip be undertaken to Cape Town and that five (5) Board members be delegated to represent SMIC to VDI’s sister company in Cape Town for which SMIC paid M17,750.00, to:

6.2.4.1. Mr Moteane; and

6.2.4.2. Four (4) other unidentified SMIC Board members who attended

6.2.5. The below four (4) Board members presented an offer to VDI prior to consultation with the entire Board, committing SMIC to financial undertakings without a confirmed and approved source of funding:

- 6.2.5.1. Mr Lebete;
  - 6.2.5.2. Mr Sefako;
  - 6.2.5.3. Mr Moteane; and
  - 6.2.5.4. Adv Maema.
- 6.2.6. The following SMIC Due Diligence Committee member, did not perform a comprehensive due diligence assessment on the VDI deal as stated in condition two (2) of the SMIC Offer Letter:
- 6.2.6.1. Mr Leboela Lebete;
  - 6.2.6.2. Mr Palo Kotelo;
  - 6.2.6.3. Mr Lerotholi Seeiso; and
  - 6.2.6.4. Ms Lintle Thamae.
- 6.2.7. The following SMIC Due Diligence Committee member, did not perform a comprehensive assessment of the VDI Discounted Cash Flow Model prepared by Selema Capital:
- 6.2.7.1. Mr Leboela Lebete;
  - 6.2.7.2. Mr Palo Kotelo;
  - 6.2.7.3. Mr Lerotholi Seeiso; and
  - 6.2.7.4. Ms Lintle Thamae.
- 6.2.8. The following SMIC Due Diligence Committee member, did not adequately interrogating the drug operator licensing of VDI during their due diligence assessment:
- 6.2.8.1. Mr Leboela Lebete;
  - 6.2.8.2. Mr Palo Kotelo;
  - 6.2.8.3. Mr Lerotholi Seeiso; and
  - 6.2.8.4. Ms Lintle Thamae.
- 6.2.9. Adv Maema advised the SMIC Board to act to ensure that the first tranche payment to VDI in the amount of M15 million be paid. Her advice does not reference the moratorium on new deals imposed by the AGM on 24 July 2022 and furthermore does not address any of the concerns regarding the VDI deal which were raised by the shareholders during the 2022 AGM.
- 6.2.10. The former SMIC Board of directors who served during January 2020 did not ensure that a comprehensive due diligence report was prepared prior to the investment in AET.

- 6.2.11. The former SMIC Board of directors who served during January 2020 limited their due diligence process to the review of AET's financial statements and invested in AET despite being aware that AET was not in a good financial standing.
- 6.3. We recommend that SMIC consider holding Mr Lebete responsible as former CEO of SMIC to the same fiduciary responsibilities as the board of directors as stated in subsection 60 (3) of the Lesotho, Companies Act 18 of 2011, in that he secured a loan from Sekhametsi Properties without obtaining approval from the SMIC Board and also acted against the moratorium imposed by the shareholders during the 2022 AGM that *"The company should not conclude any new deals before this AGM has been completed"*.
- 6.4. We recommend that SMIC pursue further engagement with Moroa Property Investments (Hatla Ntene) to account for their roles and responsibilities as Project Managers for the refurbishment and renovation of Sekhametsi Place.
- 6.5. We recommend that SMIC pursue further engagement with Mr Lebete and Mr Moteane to account for SMIC's expenditure which they approved as signatories of the SMIC Standard Bank account in respect of the refurbishment and renovation of Sekhametsi Place.

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