



**4 March 2021**

### **Zondo commission – Mantsha sticks to his guns on Denel suspensions**

Former Denel CEO Riaz Saloojee received around R400 000 per month from the company while on suspension between September 2015 and April 2016, despite its cash flow problems, while the board of the time, led by private attorney Daniel Mantsha, investigated charges of misconduct against him. The amount was decided by the board in terms of the benefits structure to which Saloojee was entitled. Mantsha returned to the commission of inquiry into state capture in an evening session held on Thursday.

He again defended the decision to suspend Saloojee and CFO Fikile Mhlontlo for their dishonesty in facilitating the acquisition of Land Systems South Africa (LSSA), a subsidiary of Denel. Mantsha said the two men failed to take the board, which was only weeks into its term, into their confidence to explain their methods in the acquisition. It therefore came as a shock to the board when in its first meeting on 10 September 2015, it learned that Denel owed Nedbank around R885-million, and the first of two payments of over R440-million was due at the end of that month. The board was never apprised by Saloojee and Mhlontlo of the urgency of the loan repayments related to LSSA, nor the terms thereof.

The two former executives have testified in previous evidence that this was not the case, and that the LSSA matter was used as a smokescreen to get rid of them. Saloojee told the commission in 2019 that he believed the reason he was suspended was that he would not bow to pressure from members of the Gupta family to give them Denel business. Mantsha refuted this, saying it was actually Saloojee who had introduced Gupta associate Salim Essa, with whom he was friends, to Denel, assisting the businessman in acquiring shares in Denel's long-standing supplier VR Laser.

Mantsha repeated his earlier evidence in December last year that Saloojee and Mhlontlo failed to disclose that they played Absa and Nedbank against each other to secure loans. Furthermore, the pair had failed to follow due procedure in how they secured the loans for buying LSSA, which under normal circumstances required the approval of both the finance and public enterprises ministers. In the lead-up to the transaction, Treasury had warned Denel that it would not bail it out should the defence company fail to place security on its loan. This too, Mantsha said, was kept from the board.

On the day of their suspensions, the two executives along with company secretary Elizabeth Africa were given a day to come up with reasons why they should not be suspended. Africa's charges were different, and included insubordination over a different matter, among others. They raised concerns, through an attorney they hired to represent them, about the short notice for their presentations, but these were ignored. Evidence leader Advocate Paul Kennedy questioned how the board could be so quick to suspend the executives, but wait another three months before officially charging them. He asked if the charge sheets were hard to come by because the allegations against them couldn't stick.

Mantsha did not agree. "It was a matter of national crisis...the board had no time. In fact, as I sit here today, I think the correct decision would have been to fire them on the spot."

He added that it was disingenuous of Saloojee and Mhlontlo to act against process with regard to the ministers. Their actions resulted in the company going into liquidation concerns, which remain to date. Kennedy challenged Mantsha on this, saying for a company that was struggling financially, the board seemed to not worry about the amounts of taxpayers' money that it was spending on suspended individuals, whom it had not even charged.

In the time between September when they were served, and December when the charge sheets were made available, the board had ordered an investigation, which was done by law firm Dentons, but not to Mantsha's satisfaction.

"The report served to the board was very shallow. To be honest, the board was not convinced with the efforts made."

Dentons was instructed to go back to the drawing board. But then, asked Kennedy, from that process alone, did it not seem that the executives' suspicions of the board using the LSSA process as a smokescreen were viable? To this, Mantsha said the only reason there was a gap between serving the executives and preparing the charge sheets was that the board was more consumed with the business of saving face and dealing with the demands of the banks.

He is expected to continue with his testimony on a date still to be decided.

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