



**11 February 2022**

**Zondo final report – Denel: Mantsha board purged execs as part of Gupta capture agenda**

The state capture commission has found that the former board of Denel abused its power and failed in its fiduciary duty when they suspended three executives, including GCEO Riaz Saloojee, in September 2015, on unsubstantiated misconduct charges. Commission chairperson Acting Chief Justice (ACJ) Raymond Zondo has recommended that its members be investigated for their possible role in the advancement of the capture of Denel by Gupta-linked VR Laser, at the expense of the parastatal and the individuals suspended.

The board in question was chaired by attorney Daniel Mantsha, and had been in office for less than a month when it suspended Saloojee, group CFO Fikile Mhlontlo and company secretary Elizabeth Africa. The three were not formally charged until months later, and were never given the opportunity to go through a disciplinary enquiry where they could defend themselves.

Zondo took particular issue with the fact that the decision to suspend the three was taken before a substantial analysis of the claims of misconduct could be made, and that instead of affording them a forum to defend themselves and argue for their reinstatement, the board was quick to offer them separation agreements, which they refused. This, he writes, leads to the conclusion that they were being removed from their positions to enable replacement with officials who would be more pliable to the demands of the Guptas.

“All the directors who supported Mr Mantsha in his corrupt endeavour to get the three executives out of the way are similarly probably culpable. The evidence before the commission does not enable one to name names in this regard, but it does show that at least one of the new appointees to the 2015 board did not go along with the scheme,” Zondo writes.

The three were eventually charged in December of the same year with misrepresenting the facts of a transaction carried out earlier in 2015, for the acquisition of Land Systems South Africa (LSSA), to the board and the ministers of finance and public enterprises. Upon the board’s entry into office, Saloojee and Mhlontlo presented Denel’s acquisition strategy and the motivation behind its purchase of LSSA from BAE Systems. The transaction has been reported in the past to have cost Denel over R800-million in total.

In his testimony before the commission, Mantsha’s defence of the decision to suspend the two was that they had failed to disclose that they had committed Denel to a short-term repayment plan for a R450-million loan with Nedbank, which was to help finance the deal. In essence, he said, the board that took office on 10 September learned after the pair’s presentation that by the end of that month Denel would have to pay back this amount.

Zondo challenges this in his report, stating that Saloojee and Mhlontlo had taken all precautions to inform and get approval from the previous board, then public enterprises minister Lynne Brown, and National Treasury, as required. This is also noted in a draft version of an investigative report by law firm Dentons, which was made available to the commission. The report does not appear to have been finalised, and thus does not conclude on the matter, Zondo noted.

Furthermore, the existence of the report was accidentally shared with the suspended employees by Africa's successor, who was meant to only communicate the status of the board's position with regard to the suspensions, in December 2015. In the documents sent to them was a letter from Mantsha in which he criticises the Dentons report.

"The utter cynicism of the suspensions was...demonstrated by Mr Mantsha's letter to the acting company secretary dated 17 December 2015. In the letter, Mr Mantsha, in so many words, castigated Dentons Attorneys for producing a report which did not justify the suspensions and called on them to fabricate a report which did. In the same letter, Mr Mantsha talked about settling with the three executives, two of whom he said had committed fraud and otherwise misconducted themselves egregiously."

Zondo queried another point involving the cost of the separation agreements that were eventually signed with the three over a year after their suspensions. Saloojee was paid around R10-million, while Mhlontlo received just over R8-million. Africa's settlement was shared by Denel, but only an ex gratia payment of just over R1.2-million is noted in the report.

The ACJ laments the fact that the board opted to settle with the executives in circumstances where it had not exhausted all the means open to it to test the validity of the charges against them. This, for Zondo, is indefensible as Denel was by this point – in 2016 – in financial strain, owing millions of rands in debt.

"The conclusion is unavoidable that the entire scheme was manufactured to get rid of three senior employees, not because they were guilty of wrongdoing because they were not, but because the employees in question were unlikely, going forward, to view wrongdoing with approval.

"Their removal was devised to replace them with officials considered more likely to advance the very schemes of wrongdoing that were contemplated by those who had worked to oust the three employees."

**Useful links:**

[Zondo Commission website](#)

Corruption Watch's [Zondo Commission update page](#)

[Denel](#)