

IN THE HIGH COURT OF SOUTH AFRICA  
GAUTENG LOCAL DIVISION, JOHANNESBURG

CASE NO:

In the matter between:

**VBS MUTUAL BANK**

Applicant

and

**MADZONGA, MMBULAHENI ROBERT**

Respondent

(Identity Number: 670403 5953 08 3)

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**NOTICE OF MOTION**

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BE PLEASED TO TAKE NOTICE THAT the Applicant intends, on Tuesday, 24 July 2018 at 10:00 or as soon thereafter as counsel may be heard, to apply to the above Honourable Court for an order that-

- 1 The Applicant's failure to comply with the Rules of the above Honourable Court in respect of notice, service and process be condoned and that this application be heard as one of urgency as contemplated in Rule 6(12);
- 2 That the estate of the respondent be placed under provisional sequestration;
- 3 The respondent and any other party who wishes to avoid such an order being made final, be called upon to advance the reasons, if any, why the Court

should not grant a final order of sequestration of Mmbulaheni Robert Madzonga on a date to be determined by the above Honourable Court. □

- 4 The applicant be directed to forthwith serve a copy of this order: □
  - 4.1 on the respondent personally;
  - 4.2 on the employees of the respondent, if any;
  - 4.3 on all trade unions of which the employees of the respondent are members, if any;
  - 4.4 on the Master; and
  - 4.5 on the South African Revenue Service
  
- 5 That the costs of this application be costs in the administration of the insolvent estate; and
  
- 6 Further and/or alternative relief.

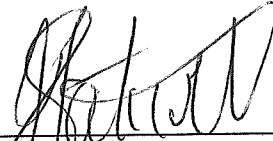
The Applicant has appointed the offices of Werksmans Attorneys, The Central, 96 Rivonia Road, Sandton, as the address at which the Applicants will accept notice and service of all documents in these proceedings.

BE PLEASED TO TAKE NOTICE FURTHER THAT the affidavit of ANOOSH ROOPLAL will be used in support of this application.

TAKE NOTICE FURTHER that should you wish to oppose this application such notice may be given to the applicant's attorney via e-mail at [jstockwell@werksmans.com](mailto:jstockwell@werksmans.com) on or before 12:00 on Monday 9 July 2018 and that any

opposing papers can be delivered by e-mail at [jstockwell@werksmans.com](mailto:jstockwell@werksmans.com) by no later than 15:00 on Friday 13<sup>th</sup> July 2018.

DATED at SANDTON on 5 July 2018.



**WERKSMANS ATTORNEYS**

Applicant's Attorneys  
The Central, 96 Rivonia Road  
Sandton

Tel: 011 535 8439

Fax: 011 535 8469

E-mail: [jstockwell@werksmans.com](mailto:jstockwell@werksmans.com)

Ref: Mr J Stockwell/SOUT3267.93

TO:  
**THE REGISTRAR OF THE ABOVE HONOURABLE COURT**  
JOHANNESBURG

AND TO:

**MADZONGA, MMBULAHENI ROBERT**

Respondent  
42 Polo Close  
Blue Hills Ext 8  
Johannesburg  
Gauteng  
*residential address*

**SERVICE BY SHERIFF**

AND TO:  
**THE EMPLOYEES OF THE RESPONDENT**  
42 Polo Close  
Blue Hills Ext 8  
Johannesburg  
Gauteng  
*residential address*

**SERVICE BY SHERIFF**

AND TO:  
**THE MASTER OF THE HIGH COURT, JOHANNESBURG**  
Corner of Marshall and Sauer Streets  
Hollard Building  
Marshalltown



IN THE HIGH COURT OF SOUTH AFRICA  
(GAUTENG LOCAL DIVISION, JOHANNESBURG)

Case Number:

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**VBS MUTUAL BANK**

Applicant

and

**MMBULAHENI ROBERT MADZONGA**  
(identity number: 670403 5953 08 3)

Respondent

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**FOUNDING AFFIDVIT**

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I, the undersigned,

**ANOOSH ROOPLAL**

do hereby make oath and state that:

1. I am a director at SizweNtsabulaGobodo Incorporated ("**SNG**"), a firm of auditors, care of Werksmans Inc, The Central, 96 Rivonia Road, Sandton.
2. The facts contained herein are, unless the contrary is indicated, within my personal knowledge and such facts are both true and correct.
3. Where I have relied on information provided to me by others, I believe such information to be true and correct.



4. Where I make submissions of a legal nature, I do so based on the advice that I have received from the applicant's legal representatives, which advice I accept as being correct.
5. Where I make use of headings in this affidavit, I do so for convenience only and do not thereby intend to limit anything stated under a particular heading only to that topic. I pray that this affidavit be read as a whole.

#### **SNG: THE CURATOR**

6. On 10 March 2018, SNG was appointed as the Curator to VBS Mutual Bank ("**VBS**" and "**the bank**") in terms of section 81 of the Mutual Banks Act No. 124 of 1993 ("**Mutual Banks Act**") read with section 69(1)(a) of the Banks Act No. 94 of 1990 ("**the Banks Act**"). (hereinafter "**the Appointment**"). A copy of the Appointment is annexed hereto marked "**FA1**".

7. In terms of the Appointment I am:

- 7.1 authorised to represent SNG in its capacity as the appointed Curator; and

- 7.2 empowered, inter alia, to bring legal proceedings on behalf of VBS.

#### **THE PARTIES**

8. The applicant is VBS, a bank registered with the South African Reserve Bank as a mutual bank in terms of the Mutual Banks Act operating under banking licence no. 1051.

9. The respondent is Mmbulaheni Robert Madzoga ("**Madzonga**"), an adult male with identity number 670403 5953 08 3, residing at 42 Polo Close, Blue Hills Ext 8, Johannesburg, 2092, Gauteng. He is an admitted Attorney (since March 1998) with more than 23 years' of experience in the commercial and corporate finance business areas and in particular in the legal and regulatory environment.

#### **NATURE OF THIS APPLICATION**

10. This is an application for the sequestration of Madzonga due to the fraud he, together with Vele and others, have perpetrated on VBS, its depositors and local municipalities.

#### **URGENCY**

11. The application is manifestly urgent, which will become apparent from the allegations that follow.

12. I state at the outset for the purpose of placing the matter in context that –

12.1 The bank has been the victim of a large scale fraud that has caused the bank a loss in excess of at least R1 521 925 280.46;

12.2 Madzonga has participated and benefitted from the aforesaid fraud which involves Vele Investments (Pty) Ltd ("**Vele**");

12.3 an application for Vele's winding up will be brought simultaneously with the provisional sequestration applications of its controlling minds, Madzonga, Tshifiwa Calvin Matodzi ("**Matodzi**") and Andile Malusi Attwell Ramavhunga ("**Ramavhunga**"). Further

simultaneous provisional sequestration applications will be brought against Phillipus (Phillip) Nicholas Truter ("**Truter**") and Phophi Londolani Mukhodobwane ("**Mukhodobwane**").

12.4 Madzonga, Matodzi, Ramavhunga, Truter and Mukhodobwane will collectively be referred to as ("**the Perpetrators**").

12.5 The Perpetrators, who for their personal gain and that of Vele, perpetrated the fraud that caused a loss to VBS of at least R1 521 925 280.46; and

12.6 having regard to the devious manner in which the fraud was perpetrated and how the Perpetrators have sought to conceal the fraud, it cannot be put beyond them to further dissipate and conceal the proceeds of the fraud in their possession or under their ultimate control.

13. As a result of the sheer extent of the fraud and the mountain of data that has had to be examined, it has taken more than two weeks to finalise the analysis that underlies this application. The investigation itself remains ongoing.

14. In view of the pervasive nature of the fraud, the monetary amount involved (of at least R1 521 925 280.46), the ongoing use by Madzonga (and the other individuals who perpetrated the fraud for Vele's and their own benefit) of the ill-gotten gains and the information contained in the recent press Article ("**FA2.1**") in relation to the imminent disposition of Vele's assets, it is necessary for Madzonga's estate to be sequestrated



and be placed in the hands of a trustee, much as it is necessary, just and equitable for Vele to be placed under final winding up.

15. Adding to the urgency of this application is another media article titled “*VBS losses raise risk of violent protests*”, published in the BusinessDay on Tuesday 3 July 2018. A copy of the article is annexed hereto marked “**FA2.2**”. In the article, it is reported that Co-operative Governance and Traditional Affairs Minister Zweli Mkhize was concerned that service delivery protests could erupt due the budget shortfalls caused to the affected municipalities that made deposits with VBS.
16. In light of the media attention which VBS has attracted since it was placed under curatorship and particularly in light of the facts which are brought to light herein, the timing for launching this application has further had to have regard to the Curator’s responsibilities to act reasonably in view of the thousands of individual retail depositors who (since the bank was placed under curatorship) line up daily at VBS branches to withdraw their money. To put this in proper perspective, a number of news channel inserts show crowds of retail depositors lined up outside VBS branches and depositors sleeping at branches overnight. These can be seen on the following links, representative images of which are shown in annexures “**FA2.3**” to “**FA2.5**” hereto:

16.1 <https://m.youtube.com/watch?v=lv4Pepfgwa8>

16.2 <https://m.youtube.com/watch?v=8TQ5uKQWII0>

16.3 <https://youtu.be/fAKIs0b0RAk>

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17. It was thus necessary to firstly ensure that individual retail depositors' accounts were transferred to another bank in order to enable them to draw on their accounts before launching these urgent applications against Vele and the Perpetrators. I considered it prudent and in the public interest to prioritise moving depositors' accounts in an endeavour to prevent the likely panic and violence that may otherwise have resulted amongst depositors if the discovery of the Fraudulent Scheme was confirmed at an earlier time.
18. I have thus acted as expeditiously as possible in the circumstances to launch this application.
19. I point out that in some instances, reliance has been placed on documents and information obtained from others. I place reliance on such documents on the basis that hearsay evidence is admissible in exceptional circumstances:
- 19.1 the application has been brought on an urgent basis, for the reasons set out above. As such, it has not been possible to verify every document relied upon;
- 19.2 the extent and complexity of the fraud that has been perpetrated is so far reaching that it will require further investigation, however, it is necessary for the present application to be heard urgently;
- 19.3 the probative value of all of the documents relied upon, outweighs any potential prejudice to the respondent.



## INTRODUCTION AND BACKGROUND

### Overview

20. From at least 2017 until my appointment on 10 March 2018 (“**the Relevant Period**”) VBS fell prey to a fraudulent scheme of epic proportion, which has resulted in a loss to the bank of at least R1 521 925 280.46 (“**the Fraudulent Scheme**”).
  
21. More egregious than the perpetration of a fraudulent scheme of such enormity, is that the Fraudulent Scheme was orchestrated by the highest ranking officials at VBS. The Fraudulent Scheme was devised and executed by the following executives and officials within VBS:
  - 21.1 Matodzi, the Chairman of VBS’ board of directors;
  - 21.2 Ramavhunga, the bank’s Chief Executive Officer;
  - 21.3 Truter, the bank’s Chief Financial Officer;
  - 21.4 Mukhodobwane, its General Head of Treasury and Capital Management; and
  - 21.5 Madzonga, the bank’s previous Chief Operations Officer.
  
22. Matodzi, as the main architect of the Fraudulent Scheme, during the Relevant Period ensured that he, personally, and Vele in which he served as a director and chairman, benefitted the most from the Fraudulent Scheme.
  
23. Vele benefitted from the Fraudulent Scheme in an amount of at least R1 507 000 000.00, on the facts that I have been able to establish.



24. The victims of the Fraudulent Scheme include retail depositors and other clients of VBS which include members of the Venda community, businesses and public institutions, which include various local municipalities and the Public Investment Corporation ("PIC"). The contributors to municipal funds include the South African taxpayers, and the Fraudulent Scheme has therefore caused the South African public to suffer as well.
25. The victims of the Fraudulent Scheme even extend so far as a burial society, the contributors of which include members of the local community.
26. All of the victims of the Fraudulent Scheme entrusted VBS with personal and/or public funds. The victims may therefore be classified as the South African people.
27. The Fraudulent Scheme, as pervasive as it was, was unsophisticated and had the following methodology at its core:
- 27.1 Truter and Mukhodobwane, at the behest of the Perpetrators, manually created the illusion of deposits being made into VBS.
- 27.2 They used the bank's electronic accounting system ("**the EMID System**") to create fictitious General Ledger entries and have those entries reflect as "deposits" in the VBS bank accounts chosen and created by and for the Perpetrators and their associated entities - which include Vele, Matodzi, Ramavunga and Madzonga.

27.3 Truter and Mukhudobwane transferred the “deposited” funds from a VBS “suspense account” to another VBS account held by one or more of the Perpetrators, their associated entities or parties related to them. As an alternative to this method, fictitious entries were at times created in the actual VBS account of an entity.

27.4 Once these “deposits” appeared in a VBS account, the account holder was enabled to draw on the deposit. As such, money became available, overdrafts were cleared and funds could be transferred out of such accounts.

28. This fraudulent mechanism provided the Perpetrators and their associated entities, including Vele, with money which was predominantly made up of deposits held by the bank on behalf of members of the public and local municipalities. This they, *inter alia*, used to fund their lifestyles, purchase immovable property, buy high-end motor vehicles and take up shares and interests in other entities.

29. The broad categories of fraudulent transactions perpetrated through the Fraudulent Scheme, may be summarised as follows:

29.1 Vele’s Insure acquisition – R250 million

Vele fraudulently acquired an investment in Insure Group Managers (Pty) Ltd (“**Insure**”) for an amount of R250 million. The acquisition was funded by VBS through the Fraudulent Scheme. In other words, Vele paid nothing for the investment. This fraudulent transaction is addressed more fully at paragraphs 103 to 110 below.

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## 29.2 Vele's purported share uptakes in VBS (R80 and R90 million)

Vele purported to purchase shares in VBS on two occasions in order to become the majority shareholder:

29.2.1 First, Vele fraudulently misrepresented that an actual R80 million deposit, made by Insure into VBS for an unrelated purpose, was payment of the purchase price in respect of a share subscription in VBS. Neither Vele, nor Insure on its behalf, paid any money for the shares.

29.2.2 Second, Vele purported to subscribe for further shares in VBS, by paying the amount of R90 million with the proceeds of a fictitious deposit of R350 million created through the Fraudulent Scheme. Again, Vele paid nothing for these shares. These fraudulent transactions are addressed more fully at paragraphs 285 to **Error! Reference source not found.** below.

## 29.3 Fraudulent overdraft payments – R262 million

The Fraudulent Scheme was used to clear (or repay) the outstanding overdraft facilities in respect of Mr Matodzi, other Perpetrators and their associated entities in an amount of approximately R262 million. These fraudulent transactions which will also be referenced to the “**Eagle Canyon List**” (so named after the meeting at Eagle Canyon where Mr Matodzi, inter alia, instructed the clearing of overdrafts) are addressed more fully at

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paragraphs 111 to 284 below.

29.4 Fraudulent deposits – R929 925 280.46

Fraudulently created deposits were made through the Fraudulent Scheme to several of the Perpetrators and their associated entities. Vele was the recipient of the bulk of these fraudulent deposits, and received an amount of R745 million. The fraudulent deposits are addressed more fully at paragraphs 307 to 333 below.

30. In this manner, through fraud, theft and pilfering, VBS haemorrhaged funds throughout the Relevant Period. These funds, as stated, were entrusted to VBS and its officials by the depositors.
31. Over the course of the Relevant Period, the deficit created by the Perpetrators grew larger; as the Perpetrators were effectively stealing money at a greater rate than was being deposited into VBS. This resulted in the severe liquidity crisis in which VBS finds itself - which the Perpetrators fraudulently sought to hide in VBS' 2017 Annual Financial Statements audited by KPMG ("**the 2017 AFS**"), annexure "**FA3**" hereto.
32. The culture of corruption was so deeply entrenched amongst the Perpetrators at VBS that they resorted to obtaining deposits into the bank from municipalities by paying municipal officials "commissions" on funds deposited by municipalities into VBS. These bribes were, inter alia, channelled through Robvet (Pty) Ltd ("**Robvet**"). Further attempts

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were made to obtain deposits from the PIC and PRASA (for R1 billion). However, according to Mukhodobwane, this was unsuccessful.

33. The 2017 AFS (as at 31 March 2017), failed to disclose numerous irregularities brought about by the Fraudulent Scheme. Despite these irregularities, the then audit partner at KPMG responsible for the VBS audited financial statements, Mr Sipho Malaba ("**Mr Malaba**"), signed off on VBS' 2017 AFS on the basis that they "*fairly present, in all material respects, the financial position of VBS Mutual Bank as at 31 March 2017.*"

#### Purpose of the present application

34. The Perpetrators and their associated entities defrauded VBS and benefitted from the Fraudulent Scheme in an amount of at least R1 521 925 280.46, which led to the bank's severe liquidity crisis and it being placed under curatorship by the Minister of Finance.
35. VBS will also be instituting liquidation and/or sequestration proceedings against the Perpetrators and Vele that have been involved in fraudulent activities and/or having caused losses to it.
36. The Perpetrators, and their associated entities, including Vele, are all jointly and severally liable to VBS for the loss occasioned as a result of the Fraudulent Scheme, in an amount of at least R1 521 925 280.46.
37. This application is brought on an urgent basis to obtain an order for the provisional sequestration of Madzonga.

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38. An order for Madzonga's sequestration will enable a trustee to begin the process of recovering, inter alia, VBS' funds and/or assets in his possession. This process will be severely compromised in the event that the Vele's assets have been disposed of and/or concealed.
39. It is reasonable to conclude, having regard to Vele, Matodzi, Ramavunga and Madzonga's brazen conduct, that they are likely to dispose of their assets.
40. Moreover, in view of Vele, Matodzi, Ramavunga and Madzonga's manifestly egregious and fraudulent conduct in the perpetration of the Fraudulent Scheme over a period of more than a year, should Vele dispose of its assets, which it has indicated it is on the verge of doing in the Article, these assets will be difficult to recover.
41. Madzonga's urgent sequestration will assist to reduce the continuing harm that VBS, and the people who deposited money at VBS, suffers in consequence of their Fraudulent Scheme.
42. VBS requires the Court's assistance in the form of urgent relief to avoid it being unable to recover its losses which amounts to at least R1 521 925 280.46.

#### The initiation of investigations into VBS

43. I conducted a preliminary investigation into the Fraudulent Scheme.
44. On 13 April 2018, and pursuant to my initial findings, the Deputy Governor of the South African Reserve Bank, in his capacity as the



Chief Executive Officer of the Prudential Authority, established in terms of section 32 of the Financial Sector Regulation Act, 9 of 2017 ("FiSRA"), appointed Advocate Terry Motau SC as investigator in terms of section 134 of FiSRA to conduct an investigation into VBS ("**the Investigation**").

45. On the same day, the Prudential Authority appointed Werksmans Attorneys, in terms of section 134 of the FiSRA, to assist with the Investigation.
46. The Investigation commenced immediately and even at its preliminary stages, has fortified my findings.
47. The Investigation has revealed the existence of numerous serious irregularities, including wide scale fraud, in the conduct of the banking business of VBS.
48. On 24 April 2018, and during the course of the Investigation, Mukhodobwane was interviewed.
49. I have since obtained an affidavit deposed to by Mukhodobwane in terms of section 136(1)(a) of the FiSRA, dated 22 May 2018.
50. The content of Mukhodobwane's affidavit sets out:
  - 50.1 his role in the Fraudulent Scheme;
  - 50.2 his evidence of the roles played by the individuals and entities involved in the Fraudulent Scheme; and

50.3 his knowledge of the fraudulent transactions perpetrated through the Fraudulent Scheme and the *modus operandi* related thereto.

51. Mukhodobwane's affidavit, together with its annexures, is annexed marked "FA4".

52. All of the allegations below that refer to Mukhodobwane, have been drawn from his affidavit and the annexures thereto, and will be referenced accordingly.

53. Moreover, all of the fraudulent transactions that have been referred to by Mukhodobwane in his affidavit, and which have been set out more fully below, are borne out, to the extent available by the attachments to this affidavit.

## THE VBS BUSINESS AND HISTORY

### VBS' business

54. VBS was founded in 1982. It operated initially as the Venda Building Society. It was granted a permanent Mutual Bank License on 11 October 2000. It is one of three mutual banks in South Africa.

55. VBS is registered as:

55.1 a mutual bank in terms of the Mutual Banks Act regulated by the South African Reserve Bank;

- 55.2 an authorised financial services provider (FSP license number: 30857) with the Financial Services Board in terms of the Financial Advisory and Intermediary Services Act, 37 of 2002; and
- 55.3 a credit provider in terms of the National Credit Act, 34 of 2005 and it operates under license number NCRCP2.
56. Unlike ordinary commercial banks, mutual banks, such as VBS, operate on a mutual savings bank model. These types of banks are specifically aimed at encouraging individuals to save by making deposits into the bank. They provide benefits to their depositors in that, when an individual deposits funds into a mutual bank, he or she, upon making an election, essentially buys equity in the bank and is accordingly entitled to dividends and to vote at the annual shareholders' meetings. As a depositor has an election, not all depositors become shareholders.
57. A mutual bank is therefore considered attractive to depositors. Depositors earn interest on their deposits and if they take up shares, also earn dividends on their shares.
58. VBS has branches in Johannesburg, Gauteng, and in Thohoyandou, Sibasa and Makhado in Limpopo and Durban, Kwa-Zulu Natal. VBS' corporate office is situated in Rivonia, Johannesburg, with its head office in Makhado and its credit department in Thohoyandou.
59. VBS, until it was placed under curatorship, provided the following services to the general public – it:

- 59.1 accepted deposits on current and saving accounts;
  - 59.2 lent money by way of providing overdraft and credit facilities within the scope of a bank's activities; and
  - 59.3 provided contract finance.
60. During the Relevant Period VBS has focused on and sought to obtain business from municipalities and state-owned enterprises. This will be addressed further in the sections that follow.

#### VBS' shareholders

61. The PIC and Dyambeu Investments (Pty) Ltd ("**Dyambeu**") held shareholding in VBS along with various others with smaller shareholding ("**Other Shareholders**"):

- 61.1 PIC held 25.26%;
- 61.2 Dyambeu held 25.22%, and
- 61.3 Other Shareholders collectively held 49.52%

62. However, in March 2017, Vele purported to become the majority shareholder in VBS, initially holding 53%. This will be addressed further in the sections to follow.

#### VBS officials involved in the Fraudulent Scheme

63. The Perpetrators were persons who:

- 63.1 hold or held senior positions within VBS during the Relevant Period;
- 63.2 were responsible for decision-making at VBS; and
- 63.3 have been identified as playing a material role in the Fraudulent Scheme.

64. I deal with their particular involvement in the Fraudulent Scheme below.

#### Matodzi

- 65. Matodzi was at all material times a director of Vele and chairman of its board of directors, member of its executive committee, member of its investment committee and chairman of the board of Vele Financial Services, which is to the best of my knowledge, a division of Vele.
- 66. Matodzi is also a director of VBS, and the chairman of the board of directors of VBS.
- 67. As such, Matodzi's role was one of utmost good faith towards the bank.
- 68. He is the controlling mind behind the Fraudulent Scheme, which includes:
  - 68.1 the clearing of 35 overdrafts on the so-called Eagle Canyon list;
  - 68.2 the creation of fictitious deposits for the benefit of various entities and individuals;
  - 68.3 the fraudulent manner in which Vele's shareholding was funded;

- 68.4 the creation of fictitious contract finance deals; and
- 68.5 the payments of commissions (bribes) to municipal officials, as well as attempts to procure deposits from the PIC and PRASA.
69. It is not without irony that, in an Overview presented by Vele Investments during 2017, it was stated with reference to Matodzi that:
- “He is the author of the VBS Mutual Bank turnaround strategy which has proven to be a phenomenal success and he holds the role of Chairman of the Bank.”*
70. He is also a director of, *inter alia*, IGM Private Equity (Pty) Ltd, VBS Properties (Pty) Ltd, and Brilliant Telecoms (Pty) Ltd, and was previously a director of Dyambeu (Pty) Ltd, VBS Financial Services (Pty) Ltd, Vele Debt Fund (Pty) Ltd, Brilliant Telecommunications (Pty) Ltd, Tiisang, Wegezi Power Holdings (Pty) Ltd, Vele Financial Services Group (Pty) Ltd and IGM Holdings (Pty) Ltd. A copy of the CIPC search setting out the entities in which Matodzi serves or has served as a director, is annexed marked “FA5.1”.

#### Madzonga

71. Madzonga, an admitted attorney, during the Relevant Period acted as the chief operations officer at VBS. His role within the bank was therefore one of utmost good faith.

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72. He also holds the position of group chief operating officer on Vele's board of directors and is a member of its executive committee. He sits with Matodzi on Vele's investment committee. He further sits on the board of Vele Financial Services with Matodzi, which to the best of my knowledge, is a division of Vele.
73. He is also a director of, *inter alia*, Vele Tracing Services (Pty) Ltd, Vele Prop (Pty) Ltd, Vele Private Equity (Pty) Ltd, Vele Alternative Investments (Pty) Ltd, Vele Prop Investment Manager (Pty) Ltd, Vele Brokers (Pty) Ltd, Vele Financial Services Group (Pty) Ltd, Vele Asset Managers (Pty) Ltd, IGM Holdings (Pty) Ltd and Vele Industrial (Pty) Ltd, and was previously a director of Vele Debt Fund (Pty) Ltd. A copy of the CIPC search setting out the entities in which Madzonga serves or has served as a director, is annexed marked "FA5.2".
74. In addition, Madzonga serves as a director of Insure, Black Label Telecoms (Pty) Ltd ("**Black Label**") and Bonulog (Pty) Ltd ("**Bonulog**"), which entities benefitted directly or indirectly from the Fraudulent Scheme.

#### Ramavhunga

75. Ramavhunga is the chief executive officer at VBS. As such, his role was one that demanded utmost good faith towards the bank at all material times.
76. Ramavhunga's involvement in the Fraudulent Scheme is marked by his acceptance of a R15 million "bonus payment" from Vele shortly after the



5 October 2017 R350 million fictitiously generated deposit into a Vele VBS account.

77. Ramavhunga is the group chief executive officer of Vele Financial Services (which to the best of my knowledge, is a division of Vele) as appears from annexure "FA5.3".
78. Ramavhunga is a director of, *inter alia*, Dambale Holdings (Pty) Ltd, VBS Corporate and Investment (Pty) Ltd, VBS Group Holdings (Pty) Ltd, VBS Properties (Pty) Ltd and VBS Mobi (Pty) Ltd. A copy of the CIPC search setting out the entities in which Ramavhunga serves or has served as a director, is annexed marked "FA5.4".

#### Truter

79. Truter, during the Relevant Period, was the chief financial officer of VBS. As such, Truter's role was one that required him to exercise utmost good faith towards the bank.
80. Truter's intimate involvement in the Fraudulent Scheme includes the following:
- 80.1 he benefitted from the clearance of the Shangri-La overdraft facility (included in the Eagle Canyon List);
- 80.2 he created fictitious deposits, together with Mukhodobwane, using the EMID System; and

80.3 he was involved in the backdating of the VBS share account (using the EMID System) which facilitated Vele's uptake of shares in VBS.

#### Mukhodobwane

81. Mukhodobwane was the head of treasury at VBS during the Relevant Period. The nature of this role required Mukhodobwane to exercise utmost good faith towards the bank.

82. Mukhodobwane's involvement in the Fraudulent Scheme includes the following:

82.1 he created the fictitious deposits, together with Truter, using the EMID System; and

82.2 he benefitted from the clearance of Lemawave (Pty) Ltd's ("**Lemawave**") overdraft facility.

83. Mukhodobwane serves as a director of, inter alia, Afrique Investment Holdings (Pty) Ltd and was previously a director of VBS Properties (Pty) Ltd. A copy of the CIPC search setting out the entities in which Mukhodobwane serves or has served as a director, is annexed marked "**FA5.5**".

## THE PRECURSOR TO THE IMPLEMENTATION OF THE FRAUDULENT SCHEME

### Vele

84. Vele has been a client of VBS throughout the Relevant Period. As such, various Vele-related accounts were opened and operated for what would best be described as Vele "Group accounts" for various Vele entities.
85. Vele holds, or during the Relevant Period held, interests in the following entities:
- 85.1 Vele Asset Management (Pty) Ltd, Oakleaf Insurance Company Ltd, Vele Tracing Services (Pty) Ltd, AllCare Administrators (Pty) ("**AllCare**") Ltd, Vele Industrial (Pty) Ltd, Vele Props Holdings (Pty) Ltd, Insure, Sizwe Asset Finance (Pty) Ltd, Anglo African MBR Finance (Pty) Ltd, EBM Project (Pty) Ltd, Global Asset Management Ltd, Wegezi Power Holdings (Pty) Ltd ("**Wegezi**"), Hlomphanang Logistics (Pty) Ltd ("**Hlomphanang Logistics**"), Varsity Lodge and PCI Rentals (Pty) Ltd as well.
86. Vele Investments is said to have amassed assets in excess of R5 billion. An overview prepared by Vele Investments is annexed hereto marked "**FA6**".
87. Matodzi and Madzonga were also directors of Vele during the Relevant Period.
88. VBS made various banking facilities available to Vele before and during

the Relevant Period. These included:

- 88.1 Current accounts;
- 88.2 Overdraft facilities;
- 88.3 Contract finance facilities;
- 88.4 Vehicle finance; and
- 88.5 Bond finance.

89. Vele made various acquisitions during the Relevant Period by means of the Fraudulent Scheme. Vele did not pay a cent in respect of any of the acquisitions fraudulently funded through fictitiously created VBS deposits, to acquire or take up shares in Insure, Malibongwe Petroleum, Anglo African Finance, Mvunonala and Fairsure. In this regard I refer to annexure B to Mukhodobwane's affidavit (FA4 hereto), which calculated Vele's acquisitions at R697 million.

90. Since Mukhodobwane joined VBS, Vele has had access to the following credit facilities:

90.1 Overdraft facility:

90.1.1 A "classic business account" overdraft with a limit of R4 000 000.00 from 29 July 2016 to 1 September 2016 ("**Vele Overdraft**").

- 90.1.2 On 2 September 2016, the Vele Overdraft limit was increased to R7 000 000.00.
- 90.1.3 On 15 December 2016, the Vele Overdraft limit was again increased to R11 000 000.00.
- 90.1.4 On 19 December 2016, the Vele Overdraft was further increased to R15 000 000.00.
- 90.2 According to Mukhodobwane, these Vele Overdraft limits were increased by Mr Maposa, the general manager of Operations at VBS at that time ("**Maposa**"). Maposa according to Mukhodobwane was the "Managing Director of Operations" at VBS.
- 90.3 Vele also has various contract finance exposures ("**Vele's contract finance facilities**") with VBS:
- 90.3.1 The list of Vele's contract finance facilities held at VBS as at 31 May 2017, appears as annexure "A" to Mukhodobwane's affidavit (FA4).
- 90.3.2 Vele's contract finance facility liabilities to VBS amount to R39 821 180.01 as at the end of May 2017.
- 90.4 Vele's contract finance exposures relate to those corporate transactions in which VBS financed Vele's purchase of interests in third party commercial entities. (FA4 – annexure A).

90.5 Mukhodobwane specifically made mention of the following three contract finance facilities, which relate to unspecified Vele “deals”:

90.5.1 “Vele - Deal 1” in an amount of R7 149 973.21;

90.5.2 “Vele - Deal 2” in an amount of R10 501 045113; and

90.5.3 “Vele - Deal 3” — R21 733 159.17.

90.6 All of the contract finance facilities are outstanding at present.

The entities associated with the Perpetrators

91. VBS also made overdraft facilities available to entities that are related to Vele and Matodzi. A list of parties that that have been identified as being related to Vele and Matodzi, is annexed hereto marked “**FA7**”.

92. These associated entities and individuals (related to Vele and Matodzi) have all had bank accounts with VBS that have become overdrawn during the Relevant Period. These accounts have cumulatively been overdrawn to an extent of R262 million and have subsequently been settled by fictitious deposits through the Fraudulent Scheme. I will deal with Matodzi’s Eagle Canyon meeting which gave rise to the Eagle Canyon List – the list of overdraft exposures that would be cleared with fictitious deposits.

93. In addition to the Eagle Canyon List, and on invitation to do so by Matodzi, both Mukhodobwane and Truter similarly cleared their overdraft exposures with VBS.

### The Perpetrators' allegiance to Vele

94. The Perpetrators' allegiance to Vele and the associated entities has been admitted to by Mukhodobwane. During the Relevant Period the VBS executives put Vele's and their own fraudulent interests above that of VBS to which they owed fiduciary duties. Their conduct and pilfering of VBS for their own gain was intentional and done at the expense of VBS and its depositors.
95. Their allegiance to the fraudulent agenda of Matodzi and their advancing of the interests of Vele was rewarded, not only by the brazen theft from VBS, but also in the form of "bonuses" received by them from Vele. Between Matodzi, Ramavungha, Mukhodobwane and Truter they received "bonuses" amounting to R48 million following a R350 million fictitious deposit into Vele's account on 5 October 2017. These bonuses were discussed at a meeting with Matodzi on the same day.

### **THE PERPETRATION OF THE FRAUDULENT SCHEME**

96. During the Relevant Period, VBS was defrauded by an amount of at least R1 521 925 280.46, as a result of the actions of the Perpetrators and their associated entities in the Fraudulent Scheme.
97. The following concepts are important for purposes of understanding the manner in which the frauds were perpetrated:
- 97.1 The South African Multiple Option Settlement System ("**SAMOS**") is an automated interbank settlement system provided by the South African Reserve Bank for banks to settle their obligations on a real-

time basis. The SAMOS System is linked to the various participant banks of which VBS is one.

97.2 The EMID System is an electronic banking platform which records the accounting entries related to banking transactions. The EMID System was used by VBS during the Relevant Period.

97.3 Numerous transfers, deposits and account entries were fraudulently styled as "SAMOS" payments, or "SAMOS ABSA Deposit", or "ABSA Deposit" to fictitiously lend credence to the fraudulent entries.

98. The following should be noted in relation to Truter:

98.1 In 2005, Truter commenced employment at VBS as its financial manager.

98.2 On 1 April 2014, Truter was appointed as the acting chief financial officer at VBS, a position to which he was permanently appointed on 1 September 2014.

98.3 Truter had full access to, and intimate knowledge of, the EMID System. As such, Truter was in a position to create conditions that in particular, permitted Vele to enjoy virtually unlimited access to VBS' funds without any corresponding liability to it.





99. The fraudulent transactions that were perpetrated by way of the Fraudulent Scheme, were effected through the same overarching *modus operandi*:
- 99.1 First, Truter created fictitious deposits using the EMID system. The genesis of the fictitious deposits came about through the manufacturing of general ledger entries on the EMID system.
- 99.2 Second, Truter set up and used 'suspense accounts' within VBS to create the fictitious deposits, from where they were credited to the intended beneficiaries' VBS accounts. (In this regard, it is necessary to point out that the legitimate purpose of so-called suspense accounts are to receive unidentified funds from depositors. Once the intended recipient account is identified, the funds received would be transferred to the depositor's intended recipient.)
- 99.3 Third, Truter credited the fictitious deposits to:
- 99.3.1 VBS accounts held by the Perpetrators or one of their related parties; or
- 99.3.2 VBS accounts held by Vele or its related parties.
- 99.4 Fourth, Mukhodobwane would authorise the release of the fictitious deposits out of the aforesaid VBS accounts (and therefore out of VBS) into a bank account held at another bank. The moment the fictitiously created deposits flowed out of VBS, the money was no

longer fictitious, and became real (and therefore caused VBS to lose these funds). It is important to stress that the outflow of money from the bank was real money that had been deposited therein by the depositors.

100. The fictitiously created deposits were used to achieve a variety of objectives:

100.1 The clearing (i.e. repayment) of numerous overdraft facilities held by the Perpetrators, Vele, and their related parties;

100.2 Vele purchased commercial interests (such as shares and companies as going concerns); and

100.3 The Perpetrators and their related parties and/or entities purchased, inter alia:

100.3.1 immovable property; and

100.3.2 high-end motor vehicles.

101. I address below, the details that have been established regarding the fraudulent transactions that took place over the Relevant Period.

102. For the sake of convenience, I have, insofar as possible, grouped these transactions into categories.

## FRAUDULENT TRANSACTION: THE INSURE ACQUISITION

103. During February 2017, Matodzi called Ramavhunga, Truter and Mukhodobwane to a meeting at Block G, Metropolitan Office Park, 82 Wessel Road (**“the Insure meeting”**). According to Mukhodobwane Ramavhunga was unable to attend this meeting.

104. The purpose of the Insure meeting was to discuss Vele’s acquisition of Insure:

104.1 Matodzi instructed Mukhodobwane and Truter to fund the acquisition of Insure through the use of a “suspense account” which Matodzi instructed them to create (**“the Insure Transaction”**).

104.2 Matodzi emphasized the urgency in which this should be effected as the payment to Insure was already due.

104.3 Mukhodobwane was uneasy with the Insure Transaction and did not understand the concept of creating a “suspense account” on the EMID system, as he was still relatively unfamiliar with this system and how it fully operated at VBS.

104.4 Truter explained to Mukhodobwane what the “suspense account” transaction involved and how it could be achieved.

104.5 Mukhodobwane and Truter raised concerns with Matodzi in relation to the adverse impact that the Insure Transaction could have on

the balance sheet of VBS, as the book entries would not tie back to the trial balance should the suspense account not be cleared.

104.6 Matodzi informed Mukhodobwane and Truter that:

104.6.1 the suspense account would be cleared in due course as Insure would be depositing funds with VBS; and

104.6.2 unwinding some of Insure's non-core assets pursuant to the Insure Transaction would create liquidity and those funds would be deposited with VBS.

104.7 According to Mukhodobwane, the people who were involved in the structuring of the Insure Transaction were Russel Chipoyera and Abe Nyathi, who represent and manage Foxburgh Capital (Pty) Ltd ("**Foxburgh**").

104.8 Mukhodobwane also raised the concern that the Insure Transaction would worsen VBS's asset/liability "mismatch" and that this would mean that VBS would be running a twofold mismatch. This would invariably widen the gap between the VBS' assets and liabilities.

105. During March 2017, Mukhodobwane and Truter subsequently implemented the Insure Transaction by carrying out Matodzi's instructions:

105.1 They created a "VBS Corporate Suspense" account (10072867001) through the EMID System.

- 105.2 The VBS Corporate Suspense account was fictitiously credited with an amount of R250 million. This created the impression in the EMID System that funds had been deposited into the VBS "Corporate Suspense account" (Account No: 10072867001) when no such deposit had been made.
- 105.3 They "allocated" an amount of R250 million, which amount was fabricated by manipulating the EMID system. This created an impression in the system that funds were received in the VBS "corporate suspense account" (Account No: 10072867001) when no such funds were received.
- 105.4 On 7 March 2017, the fictitious deposit of R250 million was transferred from the VBS corporate suspense account (Account No: 10072867001) into Insure's bank account held with VBS ((Account No: 10067650003).
- 105.5 This completed the "payment" in respect of the acquisition of Insure by Vele, notwithstanding that no real flow of funds took place. The effect of the Insure Transaction was to enable Insure to draw down on the funds held in the VBS Insure account in an amount of R250 million. The moment Insure drew down on these funds by effecting transfers to third party accounts outside VBS, the money became real.
- 105.6 I point out that the Insure Transaction was, moreover, concluded without any supporting loan agreement between VBS and Vele.

The transaction is reflected in Insure's bank statement (Account number: 10067650003) for the period between 1 January 2015 to 13 March 2018, a copy of which is annexed marked "FA8".

106. Subsequently, funds flowed out of the Insure VBS account, and thus became real funds that flowed out of VBS:

106.1 On 7 March 2017, Insure transferred an amount of R20 million to Summit Strategic Partners' VBS account (Account No: 10055210001). According to Mukhodobwane, Summit Strategic Partners is owned by a Mr Hannes Sol and Mr Warren Thompson ("Thompson").

106.2 Thompson is the deputy group chief executive officer of Vele Investments.

106.3 Summit Strategic Partners, in turn transferred an amount of R10 million to Foxburgh (Account No: 10031427003) which, according to Mukhodobwane.

107. Further drawdowns took place thereafter. In this regard, I refer to annexure B of Mukhodobwane's affidavit (FA4).

108. From the aforesaid, it is apparent that as at 27 October 2017, Insure notionally has an amount of R74 629 475.05 remaining in its VBS account (Account No: 10067650003).

109. On 19 March 2017, and at the instance of Matodzi, a meeting was held with Mukhodobwane, Truter and him at the Clubhouse at the Eagle Canyon Estate (“**the Eagle Canyon Meeting**”). Matodzi resides in the aforesaid Estate.
110. During the Eagle Canyon Meeting the reconciliation or clearing of the VBS Corporate Suspense account (Account No: 10072867001) was discussed:
- 110.1 Matodzi advised Mukhodobwane and Truter that Malaba, who, at the time was the audit partner at KPMG, had agreed to sign-off VBS’s 2017 AFS. This was despite the frauds that were being perpetrated through the Fraudulent Scheme.
- 110.2 A further “solution” was needed to reconcile the fictitious VBS Corporate Suspense accounts with the Reserve Bank’s interbank payment system, SAMOS. Mukhodobwane explains it as follows in paragraph 38 of the PM affidavit:

*“The instruction received from Mr Matodzi during this meeting was that we (myself and Mr Truter) were to clear the suspense account by a creating a [further] fictitious deposit. He suggested that we process payment from the VBS SAMOS account to the VBS ABSA bank account. Mr Truter advised that any credit would have to be manually processed and advised that the system had a function to process a manual allocation of bank credits. This in fact made the situation worse as it also created a position that VBS had excess funds in the interbank line which was not true. For example, if I were to send an instruction to pay R50 000 000.00 from SAMOS to ABSA, the credit of R50 000 000.00 would then need to be manually allocated to the suspense account that needed to be reconciled via a bank credit with the EMID system.”*

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## FRAUDULENT TRANSACTIONS: CLEARING OF OVERDRAFTS

111. Matodzi, Vele and their related entities operated various overdraft facilities. A list of these entities and their overdraft exposures as at 29 March 2017 is annexed (FA7) ("**the Overdrawn Accounts**").

112. At the Eagle Canyon Meeting, the following was, inter alia, discussed:

112.1 Matodzi informed Mukhodobwane and Truter that he required the Overdrawn Accounts, which were described as being "non-performing", to be removed from the balance sheet and "cleared" (i.e. that the debts be extinguished); and

112.2 Matodzi would provide Mukhodobwane and Truter with a list of the Overdrawn Accounts for the purposes of having them cleared ("**the Eagle Canyon List**").

113. On 29 March 2017, Matodzi sent an e-mail to Mukhodobwane at his private e-mail account (e-mail address: phophimuk@gmail.com):

113.1 that contained the Eagle Canyon List, with the instruction that the Overdrawn Accounts contained therein be cleared by the financial year end, being 31 March 2017; and

113.2 instructed him to create fictitious investments at VBS in the name of, inter alia, Vele which would result in a R80 million share allocation to Vele in VBS.



114. A copy of the aforesaid e-mail and the Eagle Canyon List (including the fictitious share allocations) are annexed (FA7).

115. The Eagle Canyon List:

115.1 identifies 34 Overdrawn Accounts held by Matodzi, Vele and their related parties;

115.2 sets out the amounts by which the Overdrawn Accounts were to be credited, thereby extinguishing the overdraft balances of the respective accounts, with the total amount being R248 950 000.00;

115.3 increases the overdraft facilities on the Overdrawn Accounts with the expiry dates being in four or five years' time;

115.4 identifies fictitious "investments" in the names of Mr Matodzi, Vele, Venmont Holdings, Tiisang Risk and Assurance Consulting, Wegezi and TP Mphephu, for a total amount of R200 million; and

115.5 creates an allocation of shares to some of the parties whose overdrafts were to be extinguished, in an amount of R190 million.

This includes an amount of R80 million in respect of Vele.

116. Matodzi also informed Mukhodobwane and Truter that if they had personal overdraft exposures, these could also be cleared through the aforesaid transaction.

117. As such, Mukhodobwane included Lemawave to the list of overdraft facilities that were to be cleared. At the time, Lemawave had an overdraft exposure in an amount of R4 681 783.41.

118. The VBS accounts held by the entities listed on the Eagle Canyon List, to which Lemawave was added, were credited using the EMID System with a total of R262 million.

119. The fictitious settlement of the aforesaid overdraft facilities resulted in the overnight decrease of VBS' overdraft exposure in the total amount of R262 million.

120. The table below identifies:

120.1 The entities whose overdrafts were settled as a result of the aforesaid transaction;

120.2 The bank account details of these entities;

120.3 The amounts owing to VBS in respect of these entities immediately prior to having their overdrafts cleared; and

120.4 The amounts by which each entity was credited in order to clear their respective overdrafts.

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No.	Entity/Person	VBS Bank Account No.	Amount in Account immediately prior to clearance of overdraft	Amount fraudulently credited between 29 March 2017 and 31 March 2017 to clear overdraft exposure
1.	Mr Matodzi	000519340005	(R540 847.75)	R3 000 000.00
2.	Mmampilo Suppliers (Pty) Ltd	000613118001	R978 235.75	R8 000 000.00
3.	Mmampilo Suppliers (Pty) Ltd	000613118002	(R331 052.21)	R3 500 000.00
4.	Africasana Trading Enterprise	000632767001	(R304 777.40)	R4 500 000.00
5.	Venmont Built Environment	000635464003	(R94 659.45)	R5 000 000.00
6.	Tiisang Risk and Assurance Consulting	000638668001	(R1 769 828.78)	R7 000 000.00
7.	Mr Makuya	000647411002	(R899 945.04)	R1 000 000.00
8.	Belton Park Trading 134	000653306002	(R322 916.59)	R3 500 000.00
9.	Hlomphanang Logistics	000655023001	(R12 197 045.14)	R13 950 000.00
10.	Mr Mafunzwaini	010003288003	(R493 379.93)	R500 000.00
11.	Dzata Trust	010004306001	(R4 917 723.87)	R9 000 000.00
12.	Vhavenda Heritage Trust	010004470003	(R61 312.44)	R1 000 000.00
13.	Venmont Holdings (Pty) Ltd	010010209001	(R14 999 676.98)	R16 000 000.00
14.	MML Food Services (Pty) Ltd	010012473001	(R14 628 746.14)	R19 000 000.00
15.	Firmanox (Pty) Ltd	010027381001	(R15 467 167.39)	R15 500 000.00

No.	Entity/Person	VBS Bank Account No.	Amount in Account immediately prior to clearance of overdraft	Amount fraudulently credited between 29 March 2017 and 31 March 2017 to clear overdraft exposure
16.	Black Label Telecoms (Pty) Ltd	010027802001	(R2 512 816.91)	R5 500 000.00
17.	Sabicorp (Pty) Ltd	010027810001	(R3 467 113.62)	R6 500 000.00
18.	Robvet (Pty) Ltd	010032997001	(R8 435 720.82)	R10 000 000.00
19.	AllCare Administrators	010037808001	(R5 516 436.18)	R6 000 000.00
20.	Vele Investments (Pty) Ltd	010040299001	(R14 996 573.37)	R22 000 000.00
21.	Vele Investments (Pty) Ltd	010040299003	(R1 492 257.15)	R3 000 000.00
22.	Nhluvuko Automation System/s CC	10054850001	(R4 040 299.20)	R7 100 000.00
23.	Cards-Ezi	010054869001	(R4 040 299.20)	R4 500 000.00
24.	Vantpix (Pty) Ltd	010054877001	(R4 040 299.20)	R4 200 000.00
25.	Vanticode (Pty) Ltd	010054885001	(R5 015 887.79)	R5 100 000
26.	Zanocube (Pty) Ltd	010054893001	(R8 175 550.50)	R8 200 000.00
27.	Vantifusion (Pty) Ltd	010054907001	(R6 639 787.62)	R6 700 000.00
28.	Bonulog (Pty) Ltd	010054915001	(R5 380 492.80)	R5 500 000.00
29.	Bonusec (Pty) Ltd	010054923001	(R5 038 890.51)	R5 150 000.00
30.	Bonuset (Pty) Ltd	010054931001	(R7 714 158.39)	R8 000 000.00
31.	Bonuspace (Pty) Ltd	010054958001	(R3 085 603.08)	R4 000 000.00
32.	Viridesol (Pty) Ltd	010054966001	(R10 320 867.95)	R12 000 000

No.	Entity/Person	VBS Bank Account No.	Amount in Account immediately prior to clearance of overdraft	Amount fraudulently credited between 29 March 2017 and 31 March 2017 to clear overdraft exposure
33.	Wegezi Power Holdings (Pty) Ltd	010055288001	(R12 476 226.51)	R15 000 000.00
34.	Shimba La Ndou Family Trust	010055458002	(R5 099 222.00)	R7 500 000.00
35.	Lemawave (Pty) Ltd	010070988001	(R4 681 783.41)	R5 600 000

121. The total amount fraudulently credited as a result of the clearing of the abovementioned overdraft facilities is R262 million.

122. From an analysis of the bank statements of Vele and the aforementioned entities, it is apparent that Vele and these entities are associated.

123. Vele has either been paid by, or has received funds from each of the following entities:

123.1 Venmont Holdings (Pty) Ltd ("**Venmont Holdings**");

123.2 Dzata Trust ("**Dzata**");

123.3 Foxburgh;

123.4 AllCare

123.5 Tiisang Risk and Assurance Consulting ("**Tiisang**");

123.6 Hlomphanang;

123.7 Wegezi; and

123.8 Black Label.

124. A more recent organogram of Vele's group structure showing Vele's interests and shareholding in some entities on the Eagle Canyon List, as at 27 March 2018, is attached marked "FA8.1".

125. Ongoing investigations into these relationships are being undertaken by me and on my behalf.

#### T Matodzi

126. Matodzi opened a VBS Classic Business account under number 000519340005 on 1 May 2016.

127. The account was overdrawn rendering an outstanding balance of (R540 847.75) as at 29 March 2017.

128. On 29 March 2017, and in accordance with the Eagle Canyon List, a fictitious deposit of R3 000 000.00 was made into the account which left Matodzi's account with a credit balance at the expense of VBS and its depositors.

129. The most relevant entries on Matodzi's account appears from annexure "FA9".

#### Mmampilo Petroleum (Pty) Ltd ("Mmampilo Petroleum") (000613118001)

130. Mmampilo Petroleum opened a VBS Classic Business account under number 000613118001 on 28 May 2016. This entity is incorrectly

described as Mmampilo *Suppliers* (Pty) Ltd on the Eagle Canyon List (FA7).

131. The account was not overdrawn as at 28 February 2017. At the time it held a positive balance of R978 235.75. This positive balance was occasioned only by reason of a transfer from another entity on the Eagle Canyon List, Nhluvuko Automation System/s CC in the amount of R 2 000 000 on 30 January 2017 (FA30).

132. On 30 March 2017, and in accordance with the Eagle Canyon List, a fictitious deposit of R8 000 000.00 was made into the account which left Mmampilo Petroleum' account with a credit balance at the expense of VBS and its depositors.

133. The most relevant entries on Mmampilo Petroleum' account appears from annexure "FA10".

Mmampilo Petroleum (000613118002)

134. Mmampilo Petroleum opened a VBS Classic Business account under number 000613118002 on 31 May 2016. This entity is incorrectly described as Mmampilo *Suppliers* (Pty) Ltd on the Eagle Canyon List (FA7).

135. The account was overdrawn by way of interest charges, rendering an outstanding balance of (R331 052.21) as at 28 February 2017.

136. On 30 March 2017, and in accordance with the Eagle Canyon List, a fictitious deposit of R3 500 000.00 was made into the account which left

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Mmampilo Petroleum's account with a credit balance at the expense of VBS and its depositors.

137. The most relevant entries on Mmampilo Petroleum's account appears from annexure "FA11".

Africasana Trading Enterprise ("Africasana")

138. Africasana opened a VBS Classic Business account under number 000632767001 on 3 May 2016.

139. The account was overdrawn rendering an outstanding balance of (R304 777.40) as at 28 February 2017.

140. On 29 March 2017, and in accordance with the Eagle Canyon List, a fictitious deposit of R4 500 000.00 was made into the account which left Africasana's account with a credit balance at the expense of VBS and its depositors.

141. The most relevant entries on Africasana's account appears from annexure "FA12".

Venmont Built Environment (Pty) Ltd ("Venmont Built Environment")

142. Venmont Built Environment opened a VBS Classic Business account under number 000635464003 on 31 May 2016.

143. The account was overdrawn rendering an outstanding balance of (R94 659.45) as at 28 February 2017.



144. On 30 March 2017, and in accordance with the Eagle Canyon List, a fictitious deposit R5 000 000.00 was made into the account which left Venmont Built Environment's account with a credit balance at the expense of VBS and its depositors.

145. The most relevant entries on Venmont Built Environment's account appears from annexure "FA13".

#### Tiisang Risk and Assurance

146. Tiisang Risk and Assurance opened a VBS Classic Business account under number 000638668001 on 17 May 2016.

147. The account was overdrawn rendering an outstanding balance of (R1 769 828.78) as at 28 February 2017.

148. On 30 March 2017, and in accordance with the Eagle Canyon List, a fictitious deposit of R7 000 000.00 was made into the account which left Tiisang Risk and Assurance's account with a credit balance at the expense of VBS and its depositors.

149. The most relevant entries on Tiisang Risk and Assurance's account appears from annexure "FA14".

150. Matodzi was previously a director of Tiisang Risk and Assurance.

#### Mr L.N.R. Makuya ("Makuya")

151. Makuya opened a VBS Classic Transactor Save account under number 647411002 on 18 August 2015.

152. The account was overdrawn rendering an outstanding balance of (R899 945.04) as at 29 March 2017.
153. On 29 March 2017, and in accordance with the Eagle Canyon List, a fictitious deposit of R1 million was made into the account which left Makuya's account with a credit balance at the expense of VBS and its depositors.
154. The most relevant entries on Makuya's account appears from annexure **"FA15"**.

Belton Park Trading 134 ("Belton Park")

155. Belton Park opened a VBS Classic Business account under number 000653306002 on 31 May 2016.
156. The account was overdrawn by way of interest charges, rendering a debit balance of (R322 916.59) as at 28 February 2017.
157. On 29 March 2017, and in accordance with the Eagle Canyon List, a fictitious deposit of R3.5 million was made into the account which left Belton Park's account with a credit balance at the expense of VBS and its depositors.
158. The most relevant entries on Belton Park's account appears from annexure **"FA16"**.

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Hlomphanang Logistics

159. Hlomphanang Logistics opened a VBS Classic Business account under number 655023001 on 6 October 2015.

160. The account was overdrawn rendering a debit balance of (R12 197 045.14) as at 27 March 2017.

161. On 29 and 30 March 2017, and in accordance with the Eagle Canyon List, two fictitious deposits totalling R13 950 000.00 were made into the account which left Hlomphanang Logistics' account with a credit balance at the expense of VBS and its depositors.

162. The most relevant entries on Hlomphanang Logistics' account appears from annexure "FA17".

Mr L. Mafunzwaiini ("Mafunzwaiini")

163. Mafunzwaiini opened a VBS Classic Transactor Save account under number 010003288003 on 13 May 2016.

164. The account was overdrawn rendering a debit of R493 379.93 as at 28 February 2017.

165. On 29 March 2017, and in accordance with the Eagle Canyon List, a fictitious deposit R500 000.00 was made into the account which left Mafunzwaiini's account with a credit balance at the expense of VBS and its depositors.

166. The most relevant entries on Mafunzwaiini's account appears from annexure "FA18".

Dzata

167. Dzata opened a VBS Classic Business account under number 010004306001 on 3 May 2016.

168. The account was overdrawn rendering a debit balance of (R4 917 723.87) as at 20 March 2017.

169. On 29 March 2017, and in accordance with the Eagle Canyon List, a fictitious deposit of R9 000 000.00 was made into the account which left Dzata's account with a credit balance at the expense of VBS and its depositors.

170. The most relevant entries on Dzata's account appears from "FA19".

Vhavenda Heritage Trust ("Vhavenda")

171. Vhavenda opened a VBS Classic Business account under number 01000447003 on 6 May 2016.

172. The account was overdrawn rendering a debit balance of (R61 312.44) as at 28 February 2017.

173. On 29 March 2017, and in accordance with the Eagle Canyon List, a fictitious deposit R1 000 000.00 was made into the account which left Vhavenda's account with a credit balance at the expense of VBS and its depositors.

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174. The most relevant entries on Vhavenda's account appears from annexure "**FA20**".

#### Venmont Holdings

175. Venmont Holdings opened a VBS Classic Business account under number 10010209001 on 13 January 2016.

176. The account was overdrawn rendering a debit balance of (R14 999 676.98) as at 20 March 2017.

177. On 30 March 2017, and in accordance with the Eagle Canyon List, two fictitious deposits totalling R16 000 000.00 were made into the account which left Venmont Holding's account with a credit balance at the expense of VBS and its depositors.

178. The most relevant entries on Venmont Holdings' account appears from annexure "**FA21**".

#### MML Food Services (Pty) Ltd ("**MML Food Services**")

179. MML Food Services opened a VBS Classic Business account under number 10012473001 on 25 January 2016.

180. The account was overdrawn rendering a debit balance of (R14 628 746.14) as at 30 March 2017.

181. On 30 March 2017, and in accordance with the Eagle Canyon List, a fictitious deposit R19 000 000.00 was made into the account which left

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MML Food Services' account with a credit balance at the expense of VBS and its depositors.

182. The most relevant entries on MML Food Services' account appears from annexure "FA22".

Firmanox (Pty) Ltd ("Firmanox")

183. Firmanox opened a VBS Classic Business account under number 10027381001 on 15 April 2016.

184. The account was overdrawn rendering a debit balance of (R15 467 167.39) as at 28 February 2017.


185. On 29 March 2017, and in accordance with the Eagle Canyon List, a fictitious deposit of R15 500 000.00 was made into the account which left Firmanox's account with a credit balance at the expense of VBS and its depositors.

186. The most relevant entries on Firmanox's account appears from annexure "FA23".

Black Label

187. Black Label opened a VBS Classic Business account under number 010027802001 on 3 May 2016.

188. The account was overdrawn and no deposits were made. This left a debit balance of (R2 512 816.91) as at 28 February 2017.



189. On 29 March 2017, and in accordance with the Eagle Canyon List, a fictitious deposit of R5 500 000.00 was made into the account which left Black Label's account with a credit balance at the expense of VBS and its depositors.

190. The most relevant entries on Black Label's account appears from annexure "FA24".

191. Madzonga is a director of Black Label.

Sabicorp (Pty) Ltd ("Sabicorp")

192. Sabicorp opened a VBS Classic Business account under number 010027810001 on 3 May 2016.

193. The account was overdrawn rendering a debit balance of (R3 467 113.62) as at 28 February 2017.

194. On 30 March 2017, and in accordance with the Eagle Canyon List, a fictitious deposit of R6 5 million was made into the account which left Sabicorp's account with a credit balance at the expense of VBS and its depositors.

195. The most relevant entries on Sabicorp's account appears from annexure "FA25".

Robvet

196. Robvet opened a VBS Classic Business account under number 010032997001 on 27 May 2016.

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197. The account was overdrawn rendering a debit balance of (R8 435 720.82) as at 15 March 2017.
198. On 30 March 2017, and in accordance with the Eagle Canyon List, two fictitious deposits totalling R10 000 000.00 was made into the account which left Robvet's account with a credit balance at the expense of VBS and its depositors.
199. The most relevant entries on Robvet's account appears from annexure "FA26".
200. Matodzi was previously a director of Robvet.

#### AllCare

201. AllCare opened a VBS Classic Business account under number 010037808001 on 30 July 2016. AllCare was a subsidiary of Vele during the Relevant Period.
202. The account was overdrawn rendering a debit balance of (R5 516 436.18) as at 28 February 2017.
203. On 30 March 2017, and in accordance with the Eagle Canyon List, a fictitious deposit R6 000 000.00 was made into the account which left AllCare's account with a credit balance at the expense of VBS and its depositors.
204. The most relevant entries on AllCare's account appears from annexure "FA27".

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Vele (010040299001)

205. Vele opened a VBS Classic Business account under number 10040299001 on 29 July 2016.

206. The account was overdrawn rendering a debit balance of (R14 996 573.37) as at 29 March 2017.

207. On 29 March 2017, and in accordance with the Eagle Canyon List, a fictitious deposit R22 000 000.00 was made into the account which left Vele's account with a credit balance at the expense of VBS and its depositors.

208. The most relevant entries on Vele's account appears from annexure "FA28".

209. Matodzi and Madzonga are directors of Vele.

Vele (010040299003)

210. Vele opened a VBS Classic Business account under number 10040299003 on 12 August 2016.

211. The account was overdrawn rendering an outstanding balance of (R1 492 257.15) as at 29 March 2017.

212. On 29 March 2017, and in accordance with the Eagle Canyon List, a fictitious deposit R3 000 000.00 was made into the account which left Vele's account with a credit balance at the expense of VBS and its depositors.

213. The most relevant entries on Vele's account appears from annexure "FA29".

Nhluvuko Automation System/s CC ("Nhluvuko")

214. Nhluvuko opened a VBS Classic Business account under number 010054850001 on 30 January 2017.

215. Immediately upon the account being opened, and without any deposit made into the account, three amounts totalling R3 999 995.00 were transferred from the account to account numbers 613118001 and 10032997001.

216. Nhluvuko made no deposits into the account to service the outstanding balance which accrued interest rendering a debit balance due of (R4 040 299.20) as at 28 February 2017.

217. On 29 March 2017, and in accordance with the Eagle Canyon List a fictitious deposit of R7 100 000.00 was made into the account which left Nhluvuko's account with a credit balance at the expense of VBS and its depositors.

218. The most relevant entries on Nhluvuko's account appears from annexure "FA30".

Cards-Ezi

219. Cards-Ezi opened a VBS Classic Business account under number 010054869001 on 30 January 2017.

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220. Immediately upon the account being opened, and without any deposits made into the account, two amounts were transferred from the account to account numbers 10040299001 and 10034167001 totalling R3 999 997.00.
221. Cards-Ezi made no deposits into the account to service the outstanding balance which accrued interest rendering a debit balance due of (R4 040 299.20) as at 28 February 2017.
222. On 29 March 2017, and in accordance with the Eagle Canyon List, two fictitious deposits totalling R4 500 000.00 were made into the account which left Cards-Ezi's account with a credit balance at the expense of VBS and its depositors.
223. The most relevant entries on Cards-Ezi's account appears from annexure "FA31".

Vantpix (Pty) Ltd ("Vantpix")

224. Vantpix opened a VBS Classic Business account under number 010054877001 on 30 January 2017.
225. Immediately upon the account being opened, and without any deposit made into the account, an amount of R4 000 000.00 was transferred from the account to account number 10027381001.
226. Vantpix made no deposits into the account to service the outstanding balance which accrued interest rendering a debit balance due of (R4 040 299.20) as at 28 February 2017.

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227. On 29 March 2017, and in accordance with the Eagle Canyon List a fictitious deposit R 4 200 000.00 was made into the account which left Vantpix's account with a credit balance at the expense of VBS and its depositors.

228. The most relevant entries on Vantpix's account appears from annexure **"FA32"**.

Vanticode (Pty) Ltd ("Vanticode")

229. Vanticode opened a VBS Classic Business account under number 010054885001 on 24 December 2016.

230. Immediately upon the account being opened, and without any deposit made into the account, an amount of R4 904 854.16 was transferred from the account to account number 10040019001.

231. Vanticode made no deposits into the account to service the outstanding balance which accrued interest rendering a debit balance due of (R5 015 887.79) as at 28 February 2017.

232. On 29 March 2017, and in accordance with the Eagle Canyon List, a fictitious deposit of R 5 100 000.00 was made into the account which left Vanticode's account with a credit balance at the expense of VBS and its depositors.

233. The most relevant entries on Vanticode's account appears from annexure **"FA33"**.

Zanocube (Pty) Ltd ("Zanocube")

234. Zanocube opened a VBS Classic Business account under number 010054893001 on 24 December 2016.

235. Immediately upon the account being opened, and without any deposit made into the account, an amount of R7 994 573.35 was transferred from the account to account number 10038197001.

236. Zanocube made no deposits into the account to service the outstanding balance which accrued interest rendering a debit balance due of (R8 175 550.50) as 28 February 2017.

237. On 30 March 2017, and in accordance with the Eagle Canyon List, two fictitious deposits totalling R8 200 000.00 were made into the account which left Zanocube's account with a credit balance at the expense of VBS and its depositors.

238. The most relevant entries on Zanocube's account appears from annexure "FA34".

Vantifusion (Pty) Ltd ("Vantifusion")

239. Vantifusion opened a VBS Classic Business account under number 010054907001 on 24 December 2016.

240. Immediately upon the account being opened, and without any deposit made into the account, an amount of R6 492 806.72 was transferred from the account to account number 651842002.

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241. Vantifusion made no deposits into the account to service the outstanding balance which accrued interest rendering a debit balance due of R6 639 787.62 as at 28 February 2017.

242. On 30 March 2017, and in accordance with the Eagle Canyon List, a fictitious deposit of R 6 700 000.00 was made into the account which left Vantifusion's account with a credit balance at the expense of VBS and its depositors.

243. The most relevant entries on Vantifusion's account appears from annexure "FA35".

#### Bonulog

244. Bonulog opened a VBS Classic Business account under number 010054915001 on 24 December 2016.

245. Immediately upon the account being opened, and without any deposit made into the account, an amount of R5 261 388.13 was transferred from the account to account number 635464002.

246. Bonulog made no deposits into the account to service the outstanding balance which accrued interest rendering a debit balance due of (R5 380 492.80) as at 28 February 2017.

247. On 30 March 2017, and in accordance with the Eagle Canyon List a fictitious deposit of R5 500 000.00 was made into the account which left Bonulog's account with a credit balance at the expense of VBS and its depositors.



248. The most relevant entries on Bonulog's account appears from annexure "FA36".

Bonusec (Pty) Ltd ("Bonusec")

249. Bonusec opened a VBS Classic Business account under number 010054923001 on 24 December 2016.

250. Immediately upon the account being opened, and without any deposit made into the account, an amount of R4 927 347.68 was transferred from the account to account number 10013070001.

251. Bonusec made no deposits into the account to service the outstanding balance which accrued interest rendering a debit balance due of (R5 038 890.51) as at 28 February 2017.

252. On 29 March 2017, and in accordance with the Eagle Canyon List, two fictitious deposits totalling R5 150 000.00 were made into the account which left Bonusec's account with a credit balance at the expense of VBS and its depositors.

253. The most relevant entries on Bonusec's account appears from annexure "FA37".

Bonuset (Pty) Ltd ("Bonuset")

254. Bonuset opened a VBS Classic Business account under number 010054931001 on 24 December 2016.

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255. Immediately upon the account being opened, and without any deposit made into the account, an amount of R7 543 394.79. was transferred from the account to account number 638676001.
256. Bonuset made no deposits into the account to service the outstanding balance which accrued interest, rendering a debit balance due of (R7 714 158.39) as at 28 February 2017.
257. On 30 March 2017, and in accordance with the Eagle Canyon List a fictitious deposit of R8 000 000.00 was made into the account which left Bonuset's account with a credit balance at the expense of VBS and its depositors.
258. The most relevant entries on Bonuset's account appears from annexure "FA38".

Bonuspace (Pty) Ltd ("Bonuspace")

259. Bonuspace opened a VBS Classic Business account under number 010054958001 on 24 December 2016.
260. Immediately upon the account being opened, and without any deposit made into the account, an amount of R3 017 298.97 was transferred from the account to account number 10012988001.
261. Bonuspace made no deposits into the account to service the outstanding balance which accrued interest rendering a debit balance due of (R3 085 603.08) as at 28 February 2017.

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262. On 30 March 2017, and in accordance with the Eagle Canyon List, a fictitious deposit of R4 000 000.00 was made into the account which left Bonuspace's account with a credit balance at the expense of VBS and its depositors.

263. The most relevant entries on Bonuspace's account appears from annexure "FA39".

Viridesol (Pty) Ltd ("Viridesol")

264. Viridesol opened a VBS Classic Business account under number 010054966001 on 24 December 2016.

265. Immediately upon the account being opened, and without any deposit made into the account, an amount of R10 092 401.22 was transferred from the account to account number 10004004001.

266. Viridesol made no deposits into the account to service the outstanding balance which accrued interest, rendering a debit balance due of (R10 320 867.95) as at 28 February 2017.

267. On 30 March 2017, and in accordance with the Eagle Canyon List, two fictitious deposits totalling R12 000 000.00 were made into the account which left Viridesol's account with a credit balance at the expense of VBS and its depositors.

268. The most relevant entries on Viridesol's account appears from annexure "FA40".

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Wegezi

269. Wegezi opened a VBS Classic Business account under number 10055288001 on 24 October 2016.

270. The account was overdrawn rendering a debit balance of (R12 476 226.51) as at 28 March 2017.

271. On 29 March 2017, and in accordance with the Eagle Canyon List a fictitious deposit of R 15 000 000.00 was made into the account which left Wegezi's account with a credit balance at the expense of VBS and its depositors.

272. The most relevant entries on Wegezi's account appears from annexure **"FA41"**.

273. Matodzi was previously a director of Wegezi.

Shimba La Ndou Family Trust ("**Shimba**")

274. Shimba opened a VBS Classic Business account under number 010055458002 on 11 November 2016.

275. The account was overdrawn rendering a debit balance of (R5 099 222.00) as at 28 February 2017.

276. On 30 March 2017, and in accordance with the Eagle Canyon List a fictitious deposit of R7 500 000.00 was made into the account which left Shimba's account with a credit balance at the expense of VBS and its depositors.

277. The most relevant entries on Shimba's account appears from annexure "FA42".

278. Matodzi is a trustee of Shimba.

Lemawave (Mukhodobwane)

279. In February 2017, Mukhodobwane opened a "classic business account" at VBS in the name of Lemawave, a company registered in Mukhodobwane's younger brother's name. The account was opened under number 010070988001 on 24 February 2017. On 24 February 2017 Lemawave was granted an initial credit facility of R5 000 000.00.

280. The account was overdrawn rendering a debit balance of (R4 681 783.41.00) as at 25 March 2017.

281. On 30 March 2017, and in accordance with the Eagle Canyon List, a fictitious deposit of R5.6 million was made into the account which left Lemawave's account with a credit balance at the expense of VBS and its depositors.

282. The most relevant entries on Lemawave's account appears from annexure "FA43".

283. Ranwedzi Peter Mukhodobwane, Mukhodobwane's brother, is a director of Lemawave. Lemawave's account was operated for the benefit of Mukhodobwane.

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284. The Lemawave facility was used by Mukhodobwane to:

284.1 acquire properties and vehicles;

284.2 transfer funds into his personal bank account; and

284.3 settle personal debts.

### **FRAUDULENT TRANSACTION: VELE'S FRAUDULENT ACQUISITION OF VBS SHARES**

#### The R80 million uptakes

285. During March 2017, Vele fraudulently acquired shares valued at R80 million in VBS. Through this fraudulent transaction, Vele became VBS' majority shareholder:

285.1 In March 2017, Vele ostensibly purchased shares in VBS for the initial amount of R80 million.

285.2 The share purchase was supported by the proof that a deposit had been made by Insure to VBS in the amount of R80 million, which purported to be payment by Vele for its shareholding in VBS. A copy of the proof of deposit is annexed, marked "FA44".

286. Documents were generated in order to create a paper trail that lent credence to this fraudulent acquisition of shares in VBS:

286.1 First, on 4 April 2017 a letter was addressed from Vele to "*The Directors, VBS Mutual Bank*" signed by Matodzi in his capacity as

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Vele's group chief executive officer. A copy of the letter is annexed marked "FA45". The letter is cast as an expression of interest to acquire an "additional R80 million in the rights issue offered by VBS mutual bank" and claims that "Vele currently owns shares to the value of R51 100 in the bank."

286.2 Second, there is a document that appears to be a VBS board meeting minute entitled "*Meeting of the board of directors to be held at Corporate Office in Rivonia, Johannesburg on 31 August 2017 at 11h00*". A copy of the document is annexed marked "FA46". Under item 7.5 on the aforesaid minute the following appears: "*Approval of shareholding – Vele Investments (Pty) Ltd*".

286.3 Third, there is an undated VBS letter signed by Ramavhunga in his capacity as the bank's CEO ostensibly addressed to the VBS board, a copy of which is annexed marked "FA47". The subject title is "*Approval for Vele Investments (Pty) Ltd to become a VBS Mutual Bank shareholder*"; and the letter makes the following two remarkable statements:

*"Vele Investments (Pty) Ltd a company with Venda heritage, and a very good understanding of VBS Mutual Bank's ("the Bank") origins, is looking to invest an amount of ZAR 80 million into the Bank. The investment will be for the acquisition of permanent interest bearing shares ("Class A") from the approved rights issue of ZAR 140 million."*

286.3.1 The letter further importantly records the following:

*“Vele Investments . . . has from time [to time] come to the rescue of [the] Bank during periods of liquidity distress by depositing amount in excess of ZAR 250 million. These deposits have been through, Insure Group Managers, a short term insurance premium administrator with a 75% market control. To date Vele Investments through Insure Group Managers has held deposits in excess of ZAR 1.5 billion over a 6 month cycle with VBS Mutual Bank.”*

286.3.2 This letter concludes with a recommendation for:

*“Board approval for Vele Investments to become a VBS Mutual Bank shareholder through the acquisition of ZAR 80 million in Class A, permanent interest bearing shares.”*


287. An Insure deposit was in fact placed with VBS for a period of two weeks for a purpose completely unrelated to the VBS share acquisition transaction.

288. On 13 March 2017, Insure’s deposit with VBS, as appears from its account 010067650001, annexure “FA48” was withdrawn by Insure as can be seen from Insure’s account number 010067650002, annexed as “FA49” and VBS’ Corporate account number 493003, annexed as “FA50” hereto.

The R90 million uptake

289. Mukhodobwane states in paragraph 44 of his attached affidavit:

*“A similar process was adopted by Vele when it ostensibly paid an amount of R90 000 000.00 for shares in VBS. This amount was backed up by a fictitious deposit generated for Vele with no real cash flows actually occurring via the suspense accounts.”*



290. I have established that payment of the amount of R90 million into VBS for Vele's share uptake was made from the R350 million fictitious payment into Vele's account.

291. Consequently, the shares purportedly purchased by Vele in VBS were obtained fraudulently.

**CONSEQUENTLY, THE SHARES PURPORTEDLY PURCHASED BY VELE IN VBS WERE OBTAINED FRAUDULENTLY. VELE BONUS PAYMENTS**

292. Vele paid "bonuses" to Mukhodobwane, Matodzi, Ramavhunga and Truter. This is dealt with below:

The 5 October 2017 meeting

293. To place the date of the meeting in context: a fictitiously generated deposit of R350 million was created in Vele's account on 5 October 2017. (FA28)

294. To place the individuals benefitting from the meeting in context: Vele is a client of VBS, and Mukhodobwane, Ramavhunga and Truter are employees of VBS and do not have an employment relationship with Vele.

295. On 5 October 2017, Matodzi held a meeting with Mukhodobwane at Mvunonala Holdings, situated at 72 Grayston Drive, Sandton, and instructed him to pay "bonuses" to the following Perpetrators in the following amounts:

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- 295.1 Matodzi - R18 million;
- 295.2 Ramavhunga - R15 million;
- 295.3 Mukhodobwane - R10 million; and
- 295.4 Truter - R5 million.

296. In light of the numerous fraudulent transactions that were processed by the Perpetrators through the Fraudulent Scheme, it can be inferred that any "bonus" payments made by Vele were, similarly, underpinned by fraud.

297. These payments made on 5 October 2017 appear from Vele's bank statement as summarised in annexure "FA28" which in turn cross-references the Accounts Bundle from which it has been drawn.

#### Matodzi

298. Matodzi received R10 million and R 8 million, totalling R18 million, on 5 October 2017 into his account number 519340005.

299. These payments appear from "FA9".

#### Ramavhunga and Dambale

300. Mr Ramavungha received R15 million into his nominee account, Dambale Holdings (Pty) Ltd with account number 010021405001 on 5 October 2017.

301. This payment appears from annexure "FA51".

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Mukhodobwane and Lemawave

302. On 5 October 2017, an amount of R10 million was paid into Mukhodobwane's nominee account, Lemawave. This amount was paid from Vele's VBS account number 10040299001.
303. This payment appears from "FA43".
304. On 19 December 2017, Mukhodobwane received a further bonus in the amount of R500 000.00, which was considered to be a "top-up" amount, in the wake of the disparities between the bonus amounts paid by Matodzi (through Vele). This amount was paid into a company account, Afrique Investment Holdings held at FNB (Account No: 62613516957) which is controlled by Mukhodobwane.
305. Mukhodobwane received the following payments from Matodzi, through Vele's VBS account, under the aegis of a "bonus":
- 305.1 An amount of R500 000.00 was paid into his personal FNB account (Account No: 62613521196) in two parts:
- 305.1.1 On 13 April 2017, an amount of R350 000 was paid; and
- 305.1.2 On 13 May 2017, an amount of R150 000 was paid. These payments appear to be reflected on Vele's VBS bank statement for the period 2015/01/02 to 2018/03/12 (Account No: 10040299001), annexed marked "FA28".



Truter and Shangri-La (Pty) Ltd ("Shangri-La")

306. On 20 November 2017, R1 million of Truter's bonus amount from Vele was to be paid into his company's account, Shangri-La, held at FNB. This payment appears from Vele's bank statement, "FA28".

**FRAUDULENT TRANSACTIONS: OTHER FICTITIOUS DEPOSITS  
CREATED USING CORPORATE SUSPENSE ACCOUNTS  
(R929 925 280.46)**

307. During 2017, and according to Mukhodobwane, in addition to the fictitious deposits that were created through the SAMOS to ABSA, corporate suspense accounts were created internally within VBS through the EMID System by him and Truter on instruction of Matodzi.

308. These corporate suspense accounts that were created, generated fictitious deposit amounts that were used to:

- 308.1 fund Vele's share acquisitions in companies; and
- 308.2 pay instalments in respect of Vele and its related parties' credit obligations within VBS; and
- 308.3 make payments to Vele's directors and employees;

309. I have established the following fraudulent transactions that benefitted Vele related entities, through VBS corporate suspense accounts:

Foxburgh

310. On 7 November 2017 funds from a prior fictitious deposit to Vele was

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transferred to the Foxburgh VBS account number 10031427003 in the amount of R20 million;

311. This fictitious deposit appears in Foxburgh's account, annexure "FA52" and Vele's account, "FA53".

Malibongwe Petroleum (Pty) Ltd ("Malibongwe Petroleum")

312. On 20 April 2017, a fictitious deposit was generated in the Malibongwe Petroleum account number 10070139002 in the amount of R40 million. Part of this deposit was thereafter transferred into different accounts. In this regard, the Malibongwe Petroleum VBS bank statement reflects the fictitious R40 million deposit and also reflects a subsequent transfer to Vele's VBS account number 10040299004 ("FA53") in an amount of R28 million.

313. This fictitious deposit and subsequent transfer appears in the extract of relevant entries on Malibongwe Petroleum's account, annexure "FA54".

Venmont Holdings

314. On 5 May 2017, fictitious deposits were generated in Venmont Holdings account 10010209004 in amounts of R3 million and 27 million, totalling R30 million.

315. These fictitious deposits appear in the extract of relevant entries on Venmont Holdings' account, annexure "FA55".

316. On 26 September 2017, a fictitious deposit was generated in Venmont Holdings account number 10010209001 in an amount of R7 million.

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317. On 13 February 2018, a further fictitious deposit was generated in Venmont Holdings account 10010209001 in an amount of R50 million. This amount was inter alia used to transfer R15 million into Robvet's VBS account number 10032997001 on 16 February 2018, annexure "FA26" hereto.

318. These fictitious deposits appear in Venmont Holdings' VBS account, annexure "FA21".

319. According to Mukhodobwane, Vele also used these fictitious deposits to pay salaries to its directors and employees. However, at this stage, I have not been able to establish further details in this regard.

#### Matodzi

320. On 5 May 2017, fictitious deposits were generated in the account of Mr Matodzi (Account No: 519340005) in amounts of R12 million and R10 million.

321. These fictitious deposits appear in Mr Matodzi' account, annexure "FA9".

#### Matodzi re: Madzonga, Amanda Mashapa and Mafunzwaiini

322. According to Mukhodobwane, in paragraph 54 of his affidavit (FA4) Matodzi instructed him to effect the following payments and deposits using fictitious funds, in favour of the following individuals:

322.1 A payment in the amount of R4.5 million was made into Madzonga's bond account;

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322.2 A payment in the amount of R900 000.00 was made into Ms Amanda Mashapa's bond account. She is a VBS employee; and

322.3 A payment in the amount of R525 280.46 was paid into Mafunzwaiini's vehicle finance loan obligation held with VBS.

#### Robvet

323. On 5 December 2017 a fictitious deposit was made into Robvet's Classic Business account number 010032997001 in the amount of R10 million. This is in addition to various payments made to it from Vele during the Relevant Period.

324. Matodzi was previously a director of Robvet.

325. This fictitious deposit appears in the extract of relevant entries on Robvet's account, annexure "FA26".

#### Vele

326. It bears reminding that:

326.1 Matodzi (VBS chairman and director) and Madzonga (VBS COO) were both directors of VBS and Vele. Ramavhunga was the CEO of both VBS and Vele Financial Services.

326.2 Vele paid "bonuses" to Mukhodobwane, Matodzi, Ramavhunga and Truter.

326.3 Mukhodobwane and Truter are employees at VBS and do not have an employment relationship with Vele.

327. On 5 May 2017, fictitious deposits were generated in Vele's account No: 10040299004 in amounts of R5 million, R7 million and R63 million totalling R75 Million.
328. On 13 February 2018, another fictitious deposit was generated in Vele (Account No: 10040299004) in the amount of R60 million.
329. These fictitious deposits appear in Vele's account, annexure "FA53".
330. On 7 September 2017, a fictitious deposit was generated in Vele (Account No: 10040299001) in an amount of R40 million.
331. On 5 October 2017, a further fictitious deposit was generated in Vele (Account No: 10040299001) in an amount of R350 million.
332. On 4 December 2017, a further fictitious deposit was generated in Vele (Account No: 10040299001) in an amount of R220 million.
333. These fictitious deposits appear in Vele's account, annexure "FA28".

#### **FURTHER BRIBERY AND CORRUPTION AT VBS**

334. At the starting-end of the illicit Fraudulent Scheme of looting VBS and to make actual money available, the Perpetrators solicited large deposits from organs of State and State-owned enterprises through the payment of bribes.
335. This was facilitated by the payment of so-called "commissions" to various influential individuals from an account held in VBS by a Vele related entity, being Robvet, with account number 10032997001 (FA26).



These payments can be described as bribes to officials in municipalities, PRASA and the PIC.

Bribes to Municipality officials

336. The Robvet account (Account No: 10032997001):

336.1 has, as far back as early 2016, been used to pay "commissions" to third parties who have assisted VBS in raising deposits from municipalities;

336.2 was used to pay "facilitation fees" to municipal officials in order to have them deposit municipality funds with VBS; and

336.3 on Matodzi's instructions, was used as a buffer to "*bring down/divert the excessive cost of the consultation and facilitation fees*" from VBS's income statement. A copy of the Robvet bank statement is annexed marked "FA26".

337. As it appears from the Robvet bank statement, large bank expenses were processed through the account. As at 30 March 2017 this account had an overdraft exposure of R8 385 720.82.

338. On 30 March 2017, the aforesaid overdraft balance was "settled" through the same *modus operandi* of creating fictitious settlement entries and by "transferring" funds between SAMOS and ABSA. This was achieved with two bank credits of R50 000.00 and R9 950 000.00 with the references "ABSA deposit TR7" and "ABSA deposit TR8". After

these fictitious entries, the account had a fictitious "credit balance" of R1 564 279.81.

339. Mukhodobwane has revealed that the Robvet account served the convenient purpose of paying bribes using VBS funds in a manner that was not shown in its books. Mukhodobwane has revealed the following in relation to the use of the Robvet account:

- 339.1 A copy of a printout of WhatsApp messages between himself and Ramavhunga on 19 and 22 December 2017 where specific reference was made to "Kabelo", "Bra Danny" and "Bauba" in relation to municipal deposits. A copy of the printout is annexed marked "**FA56**".
- 339.2 An example of an invoice in the sum of R1.5 million for a "consultation fee" issued by Moshati Investment Group to VBS dated 22 December 2017. A copy of this invoice is annexed marked "**FA57**".
- 339.3 Spreadsheets setting out the total makeup of municipal deposits made by 13 municipalities, which currently stand at R1 596 909 649.60 and including the actual amounts deposited by each such municipality. A copy of the spreadsheets are annexed marked "**FA58**".
- 339.4 An amount of R1 million was also withdrawn from the Robvet account, which was intended for an unidentified senior executive at the PIC according to Mukhodobwane.



Bribes paid to PRASA officials

340. Ramavhunga instructed Mukhodobwane to facilitate the payment of R1.5 million to individuals who were endeavouring to ensure that PRASA would place R1 billion with VBS. I refer to paragraph 80 of Mukhodobwane's affidavit.

341. At the time, Mr Gift Manyanga who was the chief banking officer of VBS provided me and some of my team members (Ms Ronewa Rabali and Mr Nhlanhla Nkuna) with the account into which the R1.5 million should be paid.

342. PRASA never placed the R1 billion deposit, however, the amount of R1.5 million was still paid by VBS.

Bribe paid to PIC senior executive

343. During April 2017, a bribe of the amount of R5 million, in cash, was allegedly paid to an unidentified senior executive of the PIC.

344. In paragraphs 75 to 78 of Mukhodobwane's affidavit (FA4), he sets out the events involving a R5 million cash payment that was made in an oversized suitcase supposedly meant for a senior executive at the PIC. He states in paragraph 77:

*"Matodzi then arranged for the Bell helicopter (ZH-HJX) to fetch me from a small airport in Makhado on the 8th of April 20.17. The helicopter arrived at Makhado and then flew to Lanseria airport and Matodzi met me there between 14h30 and 15h00 to fetch the suitcase. I asked him what the money was for and he advised me that funds were intended for a senior executive at the PIC. He said that this was so that we could receive swift assistance from the PIC with regard to bank funding that was needed."*

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345. From our inspection of the VBS books and records, it appears that the PIC extended a revolving credit facility to VBS in the sum of R350 million, to be utilised solely for contract financing of fuel transactions.

346. The Perpetrators appear to have been pressured to utilise the PIC facility and were been desperate to obtain further funds into VBS from the PIC. So much so that it appears that fraudulent drawdowns on this PIC facility were made by VBS (i.e. the Perpetrators) through creating bogus addendums to existing revolving fuel loan facilities between VBS and its fuel contract customers. Copies of such bogus addendums are annexed marked "**FA59**" and "**FA60**".

#### Matodzi and the helicopter

347. On 23 March 2017, Matodzi sent an e-mail to Mukhodobwane's private e-mail account and attached a quotation for a Bell 222 helicopter with registration letters ZS-HJX ("**the Helicopter**"). The selling price of the Helicopter was for an amount of R12 825 000.00. A copy of the Helicopter quotation is annexed marked "**FA61**".

348. Matodzi instructed Mukhodobwane to effect payment in respect of the Helicopter and informed him that the Helicopter would be financed through one of the Insure Group related companies. Notwithstanding his reservations regarding the transaction, Mukhodobwane processed payment for the Helicopter from VBS. My inquiries into the registration of the helicopter showed that it is registered in the name of VBS. However,

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to date, the payment of the Helicopter has not been accounted for in VBS' Books.

#### Matodzi and the Ferrari

349. Mukhodobwane, in his affidavit at paragraph 53 states that on 26 September 2017, Matodzi purchased a Ferrari motor vehicle for an amount of R6 500 000.00. The Ferrari was paid for in cash through the VBS corporate suspense account and was registered in the name of Venmont Holdings.

### **ASSETS FOR THE BENEFIT OF CREDITORS**

#### Madzonga's assets

350. During April 2007, Madzonga purchased a Sectional Title property described as Unit 4 SS Bella Vista, Scheme 219/2007 (Title Deed: ST19701/2007) for an amount of R2 350 000.00. A copy of the Windeed Search is annexed marked "FA62". I believe that this property is situated at 18 Marine, Plettenberg Bay (ERF 3898).

351. During March 2017, Madzonga purchased a property described as Erf 42, situated in Blue Hills Ext 8 (Title Deed: T69729) for an amount of R8 500 000.00. A copy of the Windeed Search is annexed marked "FA63".

352. The following motor vehicles have been identified as having been purchased by Madzonga:

352.1 A Porsche Cayenne GTS valued at approximately R1.4 million; and

352.2 A Porsche 911 GT3 valued at approximately R2.8 million.

353. These are the assets that I have been able to identify thus far.

354. However, in the wake of media attention surrounding VBS in recent days, it has come to my attention that Madzonga owns further assets of significant value:

354.1 On 29 June 2018, the Sowetan Newspapers published an article that focuses on Madzonga's lavish lifestyle and his amassed wealth. In this article, Madzonga was quoted as having said that *"[he] joined Vele owning more than 20 cars. [He is] among the first blacks who bought Lamborghinis and Ferraris in the 1990's."*

354.2 Madzonga also stated, according to the aforesaid article, that he joined Vele five months ago. This suggests that at least five months ago, Madzonga owned more than 20 vehicles.

354.3 Moreover, according to the same article, Madzonga's wife, Khosi Madzonga ("**Mrs Madzonga**") is said to have posted images to social media that flaunt Madzonga's many expensive vehicles, which have since been deleted. A copy of the article is annexed marked "**FA64**".

354.4 I have been able to source some of the images that were posted to social media by Mrs Madzonga and a Mukondileli Madzonga. The images indeed depict a life of luxury and a host of expensive vehicles that comprise the Madzonga fleet. From the images posted to social media, it appears that Madzonga owns the

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following vehicles:

- 354.4.1 a white Mercedes Benz G55;
- 354.4.2 a yellow Lamborghini;
- 354.4.3 a black Brabus SUV;
- 354.4.4 a white Porsche Carrera;
- 354.4.5 a black and white Audi R8;
- 354.4.6 a black Rolls Royce.
- 354.4.7 a blue Porsche Cayenne GTS; and
- 354.4.8 a red Ford Mustang.

In this regard, the images that have been sourced from social media are annexed marked "**FA65**" and copies of such Natis vehicle registration printouts as could be obtained to date as "**FA66**".

355. Having regard to the extent of the fraud, and the numerous high value assets identified via social media, I am certain that further assets will be identified during the course of an insolvency enquiry involving Madzonga in terms of section 152 of the Insolvency Act, 24 of 1936.

356. In the very least, and from the assets identified above, there will be a benefit to Madzonga's creditors, should an order for his provisional sequestration be granted.

357. Whilst I am on the subject of Madzong's assets, I wish to further bring it to the Court's attention that I discovered a Youtube clip of Madzonga's



interview on the CNBC Africa news channel, published on 28 June 2018 and made available on the following link:  
<https://www.youtube.com/watch?v=fGgd8ErSOKI>.

357.1 Importantly, at approximately 0:53 minutes into the clip's running-time, a question was put to Madzonga, relating to what he made of the allegations that millions were paid to him from VBS during the months of February and March respectively.

357.2 Madzonga's response was that he did not take money from VBS, but instead paid money to VBS on 18 and 19 February in respect of which he "showed and shared proof of payment". He stated the following from 1:17 running-time:

*"Now the money they are referring to was paid – which they say was paid to me – was on the 18<sup>th</sup> of February and the 19<sup>th</sup> of February, that is, this was the money which was paid by me: R3 million from my FNB account to VBS and R15 million from Nedbank to VBS, to assist VBS by the time VBS was going through some liquidity crisis. And it only – that R18 million – helped the VBS to stay afloat for only two weeks, and after two weeks it was put under curatorship. And I have given Sunday Times and City Press, I have given them the proof of payment from my personal account, but they go and still write that that money comes from VBS to me."*

357.3 I have found no evidence of Madzonga's alleged payment of the sum of R18 million on the given dates. Madzonga should be in a

position to provide this court and a trustee in due course with his full bank statements.

357.4 If this statement is correct, then it shows that Madzonga has access to significant liquid assets in at least two separate bank accounts which could easily be dissipated by him, adding to the urgency for a trustee to be appointed to administer his estate.

357.5 If the statement is false, then it further speaks Madzonga's character.

358. Having regard to the extent of the fraud, I am certain that further assets will be identified during the course of an insolvency enquiry involving Madzonga in terms of section 152 of the Insolvency Act, 24 of 1936.

359. In the very least, and from the assets identified above, there will be a benefit to Madzonga's creditors, should an order for his provisional sequestration be granted.

### **STATUTORY REQUIREMENTS**

360. The statutory requirements of a sequestration application will be complied with in that:

360.1 a copy of this application will be served on the Master of the High Court;

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- 360.2 a copy of the application will be served on the South African Revenue Services;
- 360.3 a copy of the application will be served on the respondent;
- 360.4 a copy of the application will be served on the employees of the respondent, if any, and the trade unions representing the employees of the respondent, if any;
- 360.5 a certificate issued by the Master of the High Court will be made available at the hearing of the application, which certificate will confirm that sufficient security has been set for the payment of all fees and charges necessary for the prosecution of all sequestration proceedings and of all costs of administering the estate of the respondent until a trustee has been appointed and if no trustee is appointed, all fees and charges necessary for the discharge of the joint estate of the respondent from sequestration.

## CONCLUSION

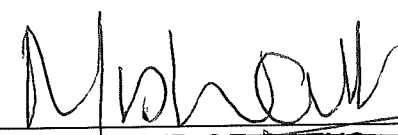
361. I respectfully submit that a proper case has been made out for the provisional sequestration of Madzonga.
362. In compliance with the practice manual, I submit that this application is not brought as a so-called "friendly" sequestration.
363. Wherefore I ask, on behalf of the applicant, for an order in terms of the notice of motion to which this affidavit is attached.

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**ANOO SH ROOPLAL**

**SIGNED** and **SWORN** to before me at Sandton on this the  
5 day of July 2018, by the deponent who has  
acknowledged that he knows and understands the contents of this affidavit;  
that he has no objection to taking the prescribed oath and that he considers  
the prescribed oath to be binding on his conscience.

  
\_\_\_\_\_  
**COMMISSIONER OF OATHS**  
**Full names:**  
**Capacity:**  
**Address:**

MAGDALENA FRANCINA MARGARETHA VAN DER WALT  
Commissioner of Oaths by Appointment  
Reference Number 1/974 10.06.2010  
The Central, 96 Rivonia Road  
Sandton, Johannesburg, 2196