Key Observations

Board Dissatisfaction Leading to Termination of the Project

- Rev Sibiya informed the Board on the 19th June 2017 that CISAC Secretariat recommended AEMRO be admitted as a Provisional member however the French raised objections and subsequently other rights holders also raised objections. We confirmed that there was a preliminary recommendation to support AEMRO's application but this was subsequently declined due to non-availability of a legal framework in the UAE.

- When it became apparent that SAMRO was continuing to lose money, the Board decided to set up a Task Team to wind up this operation.

- On the 8th September 2017 Board resolved that AEMRO be shut down in Dubai, but the company remain registered pending the decision from CISAC in October 2017 and the partners in Dubai be given notice of termination with immediate effect.
- As at the termination, Hamzah and Yaser had failed to secure any rights for AEMRO and they had also failed to convince or influence Government of Dubai to authorize their operations

Key Observations

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Termination Process and Agreements

- On the 11th September 2018 CEO, Ms Migogo informed Messrs Khalaf and Aljabal of the Board's decision.

- When Messrs Khalaf and Aljabal were informed of the termination, they raised the issue of a 5 year fixed term contract leading to a settlement agreement where they were paid for 8 months as a settlement. This contract was apparently only known to Mr Dlamini and the two gentlemen.

- No legal opinion was sought on whether there would be a legal basis to settle on the bases that were settled upon, however Webber Wentzel was engaged to draft mutual separation agreements.

- A termination agreement was signed on the 17th October 2017 with the agreed settlement payouts made below:

Key Observations

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Termination Process and Agreements

Payment date	Paid to Khalaf	Paid to AlJabal	Total
Already paid 28 September 2017	USD 35 000	USD 35 000	USD 70 000
5 business days signature of agreements	USD 18900	USD 18900	USD 378 000
5 days of completion of the closing date	USD 56 000	USD 56 000	USD 112 000
Total	**USD 280 000**	**USD 280 000**	**USD 560 000**

- These settlements were based on a five(5) year contract which surprisingly emerged when notice of termination was issued to the two gentlemen.

- We are of the view that this Agreement was concocted just to extort money from SAMRO as it was not there in the beginning but former CEO alleged that it was there and he is the only one who knew of its existence.

Key Observations

Financial exposure and financial processes

- Certain payments from SAMRO-AEMRO were made directly to Mr Aljabal's personal account and the explanation provided for it was the issue of urgency and sometimes the issue of dealing with foreign exchange regulations.

- No proof that certain payments made to IPR accounts (account held and operated by Hamza and Yaser) were made to intended Creditors, as we noted an invoice from Yaser Consulting for developing relations with the UAE government.

- A Cash payment was made from the AEMRO Account – apparently to settle 3months pay for a staff member in UAE – Louna EL Dweik – cash payments always risky as no audit trail. We could not ascertain this as it requires to be confirmed with the Dubai leg of the investigation

Key Observations

Financial exposure and financial processes

- Payments into SAMRO Accounts in Dubai made by Foreign Collecting Societies (no full accounting for these).Needs further investigation with the Dubai leg of the Investigation.
- Payments into AEMRO made through SAMRO ABSA Forex for payments to Messrs Khalaf and Aljabal and other operations
- Mr Khalaf had rights to release payments below R100k by himself and Greg Zoghby would release if amounts exceeded R100 000.00

Key Observations

Financial exposure and financial processes

- Noted double payments for lease running concurrently as follows:

Dates	Landlord	Amounts	Bank Account
15 March 2017 – 14 March 2018	Aurora Tower Tecom	AED 108 000	IPR Management
28 May 2017 – 27 May2018	Dubai Media City	AED 100 540	AEMRO

- Greg's email saying – 'have to have a separate office and because we are changing the company, he has to arrange new premises…these are the costs he has incurred in order to do that…I have asked Rev to sign off and you can arrange with Christa to make payment tomorrow'.
- Seems this was fruitless and wasteful expenditure to operate two (2) leases and seems very dodgy. This needs further investigation with the Dubai leg of the investigation.

Key Observations

Financial exposure and financial processes

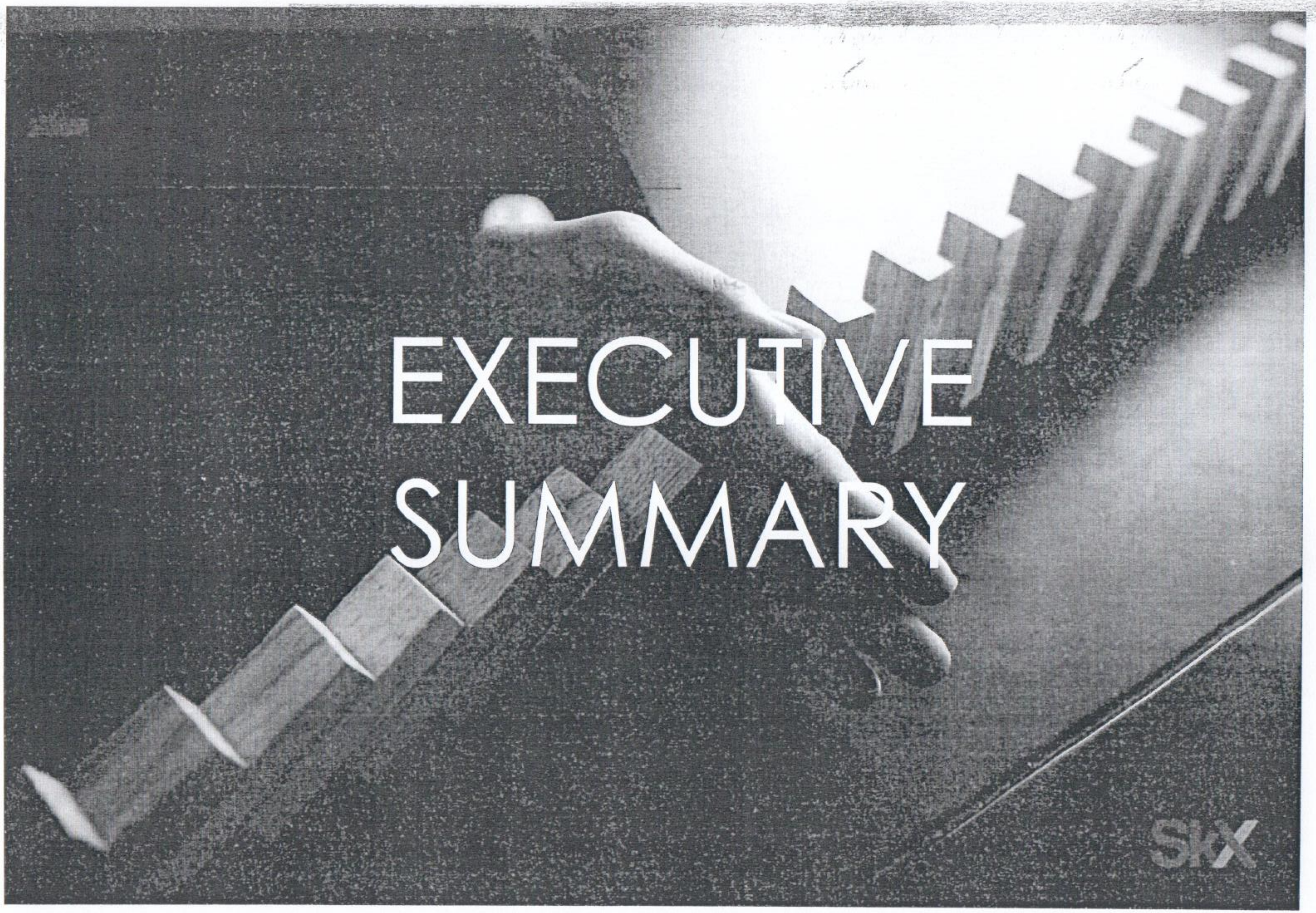
- The Dubai Media City payment - Bank account number not specified on the lease agreement although it stated the period of the lease agreement. *Mr Khalaf indicated to Mr Zoghby that the money may be wired to Tecom Directly from the SAMRO account or " let me know if you need to process in other way.*

- It is clear that there are a number of transactions that can simply not be explained as they lack supporting documentation and it is also apparent that SAMRO does not have any form of assurance that payments meant for certain creditors in the UAE actually did get paid to those creditors.

Conclusions

Financial Exposure and Financial Processes

- Engagement of Sipho Dlamini post his resignation with the following financial implications:
  - Golden hand-shake on resignation **(R500 000.00** net)
  - Consultancy Agreement (**R235 000.00** per month)
- Uncertainty regarding scope of work for Sipho in the light of Acting CEO. Seems this payment constituted fruitless and wasteful expenditure in the light of the fact that Rev Abe Sibiya who had assumed role of Acting CEO was fully conversant with the issues surrounding the AEMRO operation.
- REMCOM authorized Rev Sibiya to engage with Mr Dlamini on terms and benefits of his engagement post his resignation.


EXECUTIVE
SUMMARY
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Conclusions

Based on the above findings, we conclude that:

- Engagement of Messrs Khalaf and AlJabal as Consultants and Employees did not follow any procurement or recruitment procedures and so was their payment. Mr Dlamini argued that the Board was aware and supported the engagement of Hamza and Yaser after they had made their presentation. However, no recorded Board decision on their appointment and/or appointment terms. Mr Dlamini single-handedly ran with this aspect.

- Engagement of Messrs Khalaf and AlJabal was premature and caused serious financial prejudice to SAMRO, and contradicted the business plan which stated that employments would be conducted "**once the legislative framework is established and licensing operations commence**". At the time of their engagements, neither the legislative framework nor the licensing operations had been approved or commenced.

Conclusions

- Mr Dlamini (as Accounting Officer) caused financial prejudice to SAMRO by engaging and authorizing payments to Messrs Khalaf and Aljabal before the legislative and other conditions precedent were secured and/or confirmed.

- Mr Dlamini caused financial prejudice to SAMRO-AEMRO by failing to ensure that rights with other Collecting Societies were secured and that the legislative framework in the UAE, including CISAC approvals were in place prior to making huge investments in the UAE or incurring significant costs in this regard. We note however that there was a justification for the expenses relating to the initial office set-up to justify the presence to the UAE authorities, however, we conclude that the hefty investments relating to staff engagement could have been avoided as it was premature and unduly inflated.

Conclusions

- Mr Dlamini was derelict in performing his duties by failing to ensure that the investment decision was premised upon sound and firm commitments with other Societies and CISAC prior to the investment decision.

- Mr Dlamini could not produce a record of his conversations with other Collecting Societies as claimed by him prior to November/December 2015 when the investment had already started around July 2015. In his written reply, he contradicts himself by stating that he started verbal conversations way back prior to Nov/Dec timeline but then later states that: "**I remind you on top of this, that our approach in establishing the collecting society in Dubai was to keep it under wraps from other international collecting societies. We were justifiably concerned about them competing with us in establishing the collecting society in Dubai and wanted to ensure that we had obtained the required licenses first**".

Conclusions

- Mr Dlamini misled the Board as to the critical details of this investment during the September 2015 progress update, where he, inter alia, stated the following:
  - a) ***"approval from the authorities to go out and license would be received by 01 February 2016. The four to six months period was because of the complexity of what SAMRO was doing.***
  - b) ***SAMRO could go and knock on doors from 01 October 2015 but it was necessary to get all different Government Departments to be aware of what SAMRO would be doing.***
  - c) ***AEMRO would start collecting money in March 2016***
  - d) ***An estimated profit of $542 036 per annum would be realized".***
- These representations would have led the Board to act and/or endorse this investment to SAMRO's detriment (financial prejudice)

Conclusions

- Within the 4 to 6 months period that Mr Dlamini had determined to be the period within which AEMRO would have received its license, he tendered his resignation as CEO of SAMRO around March 2016.
- Noteworthy that as at the time of his resignation and departure, none of the representations he had made had come to fruition ie. AEMRO was still unable to knock on doors by 01 October 2015 as represented by Dlamini and neither was AEMRO able to start collecting license fees by March 2016 as per the representations of Dlamini.
- At this point, Rev Sibiya who was the Chairperson of the Board, who then assumed the role of Acting CEO
- Rev Sibiya continued on the same trajectory indicating how AEMRO was on the path to receiving its required accreditations and rights.
- The AGM was informed of the developments surrounding AEMRO and the escalating costs around November 2016. At this AGM, further promises of returns on this investment were made by Rev Sibiya and former CFO, Mr Zoghby

Conclusions

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- Salaries paid to Messrs Khalaf and Aljabal were out of sync with the market even after the remuneration guidelines in the UAE by Westford School of Management and McKinsey were provided to guide this process.

- Messrs Khalaf and AlJabal did not add any value to AEMRO and failed to deliver on their "contracted" obligations to secure Collecting Rights and/or to influence Government networks they had claimed. However, they argued that they were advised by Mr Dlamini that the issue of securing Collecting Rights with the other Societies and CISAC was not part of their mandate, which has been denied by Mr Dlamini. Notwithstanding this, they failed to secure the required legislative arrangements with UAE in order for AEMRO to operate legally in terms of collecting rights.

- Payments made to Messrs Khalaf and AlJabal amounted to unjustified enrichment, fruitless and wasteful expenditure.

Conclusions

- Khalaf and Aljabal were first paid as Consultants the following amounts, for which there is no recorded Board Resolution:

MONTH	AMOUNT
July 2015	R935 374.15
August 2015	R849 056.60
September 2015	R919 056.76
TOTAL	**R2 703 487.51**

- Their salaries then started flowing in October 2015 after their employment contracts were signed.
- Both Consulting fees and Salaries for Khalaf and Aljabal were authorized by Mr Dlamini and paid by the CFO