Assessment of Professional Competence
March 2022
Information on the day
Lampros Group (Pty) Ltd

March 2022

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Doc	*From*	*Subject*	*Attachment*	*Received*
A	Susan Sibanda	Disposal of pre-primary schools	Annexure 1: Draft workings and note to the annual financial statements	30/03/2022
B	Jerry Jansen	Review of internal audit reports	Annexure 2: Draft report – Summary of adverse internal audit findings	30/03/2022
C	Jerry Jansen	Property development venture	Annexure 3: Cash-flow summary	30/03/2022
D	Susan Sibanda	Funding options	Annexure 4: ACP term sheet	30/03/2022
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DOCUMENT A

EMAIL FROM CHIEF FINANCIAL OFFICER TO SENIOR FINANCIAL ASSISTANT

From:	Susan Sibanda
Sent:	Wednesday 30 March 2022, 07:33 AM
To:	Senior Financial Assistant
CC:	Jerry Jansen
Subject:	Disposal of pre-primary schools
Attachment:	Annexure 1 Draft workings and note to the annual financial statements.docx 19 KB

Good morning

Apologies for the early email. We haven't had an opportunity yet to talk through your insights on the accounting consequences of disposing of the pre-primary schools.

Some additional information that I didn't mention previously:

- The pre-primary schools will be sold in a single transaction, in their present condition, and as a going concern;
- We finalised the discussions with the external auditor and we are in agreement that the pre-primary schools meet the definition of a disposal group; and
- All the criteria to classify the disposal group as held for sale in terms of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (IFRS 5) were met on 31 December 2021.

We are in the process of preparing the draft annual financial statements for the year ended 31 December 2021. The accounting impact of classifying and measuring the pre-primary schools as a disposal group held for sale has not yet been adjusted for in the draft annual financial statements. However, I have put together a draft note for the annual financial statements with supporting workings, using the summarised financial information I shared with you previously.

Please review my draft workings and the note to the annual financial statements, and highlight, with reasons, any errors and/or omissions. You don't have to worry about checking the mathematical accuracy of the workings and note and it is also not necessary to recalculate any amounts at this stage.

Looking forward to your input and thanks in advance.

Kind regards
Susan

CFO: Lampros Group (Pty) Ltd

ATTACHMENT TO EMAIL

Annexure 1: Draft workings and note to the annual financial statements

Draft workings

Because the IFRS 5 criteria were met on 31 December 2021 (the reporting date), the pre-primary schools disposal group held for sale needs to be measured at fair value. My estimate of the fair value and expected selling price is R55 million.

Measurement adjustments	**Notes**	**FY2021**
		R'000
Start with the carrying amount (net asset value) of the pre-primary schools disposal group at date held for sale criteria are met [(Total assets (76 555) less total liabilities (37 636)]		38 919
Add back: Depreciation on furniture, equipment and fittings and amortisation of intangible assets (1 464 + 139)	1	1 603
Add: Fair value adjustment for land and buildings [60 471 – (11 000 + 43 916)]	2	5 555
Less: Costs to be incurred as a result of the disposal	3	(3 904)
Add back: Deferred taxation liability (4 530) and the current taxation liability (25)	4	4 555
Sum of the above adjustments is the resultant IFRS 5 carrying value (adjusted net asset value) of the pre-primary schools disposal group		**46 728**
Fair value of the disposal group		55 000
Fair value gain		**8 272**

Notes

1. The depreciation and amortisation recognised in the 2021 reporting period that relate to movable tangible and intangible assets that are part of the disposal group, need to be reversed through the income statement.
2. Immovable fixed assets (i.e. land and buildings) that are part of a disposal group need to be accounted for in accordance with the fair value model in IAS 16 *Property, Plant and Equipment*. This fair value increase is recognised in profit or loss at the date the disposal group is classified as held for sale. My estimate of the fair value of the combined land and buildings is R60 471 000.
3. My estimate of the costs to be incurred in disposing of the disposal group are set out below. These should be provided for at the date the disposal group is classified as held for sale.

	R'000
Restructuring cost	2 502
Cost to sell (lawyers/legal fees, independent valuator, etc.)	1 402

4. The net asset value of the disposal group will be recovered through a sale transaction rather than through continuing use. Therefore, the existing deferred and current taxation liability should be reversed through the income statement.

Draft note for inclusion in the annual financial statements

	FY2021
	R'000
Assets of disposal group classified as held for sale	**83 713**
Land and buildings	60 471
Furniture, equipment and fittings	7 900
Intangible assets	1 266
Trade receivables	3 511
Prepayments (deposits)	349
Cash and cash equivalents	10 216
Liabilities of disposal group classified as held for sale	**(36 985)**
Bank loans	(28 970)
Trade and other payables	(1 840)
Tuition fees received in advance	(2 271)
Provision for costs to be incurred as a result of the disposal	(3 904)
Total disposal group classified as held for sale	**46 728**
Fair value gain	8 272
Fair value of the disposal group classified as held for sale	**55 000**

During the third quarter of the 31 December 2021 reporting period, the Group's board approved the disposal of the Group's two pre-primary schools. The pre-primary schools will be sold in a single transaction, in their present condition, as a going concern.

The requirements of IFRS 5 were met on 31 December 2021 and as such –

- the assets within the disposal group have been separately disclosed as disposal group assets held for sale of R83 713 000 in the statement of financial position; and
- the liabilities within the disposal group have been separately disclosed as disposal group liabilities held for sale of R36 985 000 in the statement of financial position.

The disposal group is measured at the higher of the carrying amount of R46 728 000 and fair value of R55 000 000. The fair value is based on an assessment of what management believes a purchaser would value the disposal group, considering the current business viability and operations. Therefore, a fair value gain of R8 272 000 has been recognised in the income statement for the year ended 31 December 2021.

DOCUMENT B

EMAIL FROM CHIEF EXECUTIVE OFFICER TO SENIOR FINANCIAL ASSISTANT

From:	Jerry Jansen
Sent:	Wednesday 30 March 2022, 07:39 AM
To:	Senior Financial Assistant
Subject:	Review of internal audit reports
Attachment:	Annexure 2 Draft report - Summary of adverse internal audit findings.docx 755 KB

Dear Senior Financial Assistant

My email to you, dated 25 March 2022, has reference.

This past weekend I learnt with shock that our Head of Internal Audit, Tiny Ndlovu, has been booked off due to ill health until at least the end of May 2022. I spoke to the Chairperson of the Audit and Risk Committee on Monday, and we agreed that this unfortunate situation should not jeopardise the work of internal audit. Therefore, an interim arrangement has to be made to ensure the continuity of the operations of the Internal Audit Division.

However, the challenge is that, other than Tiny, our internal audit team is rather inexperienced, and accordingly we need someone to step in and guide/supervise their work until Tiny is fit to return to work. The CFO and I believe that you have the competence to perform this role and also have the benefit of still being relatively new to the organisation. The Chairperson of the Audit and Risk Committee is in full agreement with this as an interim solution.

I have just received a draft report from the acting Head of Internal Audit, Temba Zamisa, which summarises the adverse findings from the Internal Audit Division's review of the general IT controls and the procurement system of the Lampros Group – refer to the attachment.

I specifically want you to work with Temba in drafting a comprehensive and meaningful internal audit report to the Audit and Risk Committee to convey the results of the work undertaken. But before you do so, I think that further engagement with Temba regarding this draft report is necessary.

Accordingly, please forward a memorandum to Temba in which you set out questions on the draft report, to enable you to better understand –

- the work undertaken by the Internal Audit Division to arrive at the reported adverse findings; and
- the potential implications of the reported adverse findings (so that the final report can deal with all aspects of each finding that may be of value to the Audit and Risk Committee).

Your questions should be sufficiently detailed so that Temba can understand the nature of the information that is being sought and be in a position to provide a meaningful response.

Thank you for your assistance with this important task!

Kind regards
Jerry Jansen

CEO: Lampros Group (Pty) Ltd

ATTACHMENT TO EMAIL

Annexure 2 Draft report – Summary of adverse internal audit findings

Lampros Group

DRAFT REPORT

TO: Mr Jerry Jansen, CEO
CC: Ms Rose Williams, Chairperson of the Audit and Risk Committee
FROM: Mr T Zamisa, Acting Head of the Internal Audit Division
DATE: 29 March 2022
SUBJECT: Summary of adverse internal audit findings

Dear Mr Jansen

Your request that I share with you details of the adverse (unfavourable) findings obtained from internal audit's review of the general IT controls and procurement system has reference.

Herewith the summary of these findings:

Review of general IT controls	
Work done	**Adverse finding(s)**
• We reviewed the access profiles for the Group's computer systems to ensure that staff members' access to IT applications and data is granted on a least privilege basis.	In the Tertiary Division, we found that each of the 11 tertiary campus heads has 'super user' access to the student database, which contains the academic and personal records of students registered on his/her campus.
• We reviewed the service level agreements (SLA) concluded with the third-party service providers responsible for maintaining the Group's computer systems to ensure that these were in place and duly authorised.	We could not find an SLA with the service provider, XYZ Technology Solutions. The Head of IT at the Lampros Group advised that this agreement is still being finalised. The previous service provider's contract came to an end and a new service provider had to be appointed at short notice.
Review of procurement system	
Work done	**Adverse finding(s)**
• Tertiary Division: We reviewed the general journals recorded in the financial records of two campuses of the DMB Institute in August 2021 to identify any adjustments made to purchases/accounts	All journal entry adjustments were appropriately authorised, except for one. In this entry the financial accountant of the Bellville campus not only recorded interest payable of R24 250 on an overdue supplier's

payable and verify that these adjustments are appropriately authorised in terms of the division's delegation of authority.	account, but also authorised the journal entry.
• Head office: For a sample of 10 purchase transactions > R10 000 selected from the purchases journal of the head office of Lampros, we inspected the supporting documentation to verify that at least two quotations were obtained prior to finalising purchase orders, as required in terms of Lampros' procurement policy.	The only exception identified was one purchase transaction for office furniture, costing R50 000, for which there was only one quotation on record. Further investigation revealed that this furniture was purchased for Shanese Tutu's office at the Lampros head office.
• Head office: For a sample of 15 creditors' reconciliations at 31 December 2021 (reconciling the balance on the creditor's account in the creditors ledger with the balance per the supplier's statement at this date), we inspected the reconciliations for the signature of the chief accountant (which is a required procedure once she has reviewed each reconciliation).	Four exceptions were found where the creditors' reconciliations were not signed by the chief accountant.

We are in the process of preparing our final report that will be included on the agenda for the next Audit and Risk Committee meeting (scheduled for 15 April 2022).

Please feel free to contact me should you require any further information regarding this report.

Kind regards

Temba Zamisa

DOCUMENT C

EMAIL FROM CHIEF EXECUTIVE OFFICER TO SENIOR FINANCIAL ASSISTANT

From: Jerry Jansen
Sent: Wednesday 30 March 2022, 07:48 AM
To: Senior Financial Assistant
Subject: Property development venture
Attachment: Annexure 3 Cash-flow summary.docx 36 KB

Hi there

Following my email to you last week, VarsityPoint has provided us with a high-level development feasibility study in respect of the PBSA facility to be constructed in Pretoria.

As mentioned, the development of the PBSA facility is set to commence in May 2022. This is critical, as any delays in the conversion of the commercial office building could result in us not being able to open the PBSA facility in time for the 2023 intake.

We are fortunate that the commercial office building that VarsityPoint has identified for the PBSA facility is very suitable for a conversion of this nature. In fact, the existing building's layout requires minimal structural changes. The commercial office building which VarsityPoint has identified is located just 1 km from our Pretoria campus. The building would enable Lampros to provide accommodation to 280 enrolled students.

The following is a summary of the development feasibility for purposes of our assessment of the investment opportunity prepared by VarsityPoint.

Detail	**Amount**
Purchase price of the existing building	R57 120 000
Construction costs in respect of the conversion	R85 680 000
Borrowing costs to be capitalised in respect of the development	R2 642 150
Total development costs (A)	**R145 442 150**
Number of student rooms on completion	280
Development cost per student room	R519 436
Gross annual rental per student room	R90 000
Total annual rental income	R25 200 000
Annual operating costs	R5 040 000
Net rental income (B)	**R20 160 000**
Capitalisation rate used to determine property fair value **(C)**	12%
Indicative fair value on completion **(B/C = D)**	R168 000 000
Value created (A – D)	**R22 557 850**

In addition to the above, VarsityPoint has indicated that the maximum bank debt (excluding interest) that Lampros VarsityPoint (Pty) Ltd will be able to raise in respect of the purchase of the land and development thereof amounts to R85 680 000. Shareholders will be required to provide equity contributions for the balance of the funding required in proportion to their shareholdings.

I would like you to assist me with the calculations to be performed to assess the opportunity, which we will then need to outline to the Board.

I have already prepared an assessment of the transaction by compiling an initial draft of the cash-flow forecast and related calculations. Please review and provide feedback on my assessment. You will find my calculations in the attachment to this email.

I have applied the following assumptions in my assessment:

- Gross annual rental income is forecast to escalate by 6% per annum;
- Operating costs are expected to increase by 4% per annum;
- The fair value of the property at the end of year 5 has been determined by applying the 12-month forward forecast net income divided by the capitalisation rate (12%);
- The capitalisation rate used to determine the fair value of the property will remain unchanged at 12% throughout the investment period;
- Loan repayments in respect of the bank debt will amount to R12 575 087 per annum inclusive of interest. The loan will be fully repayable in 10 equal repayments of R12 575 087 annually in arrears. The loan bears interest at an annual rate of 7,66%;
- Any surplus cash flows generated by the PBSA facility will be distributed annually to shareholders in the form of dividends; and
- Lampros has a WACC of 16,75%.

We will also need to include a list of key factors, with reasons, which the Lampros Board should consider in assessing the investment opportunity. Thanks.

Please note that all tax implications in respect of the transaction can be ignored for purposes of your assessment.

Kind regards
Jerry Jansen

CEO: Lampros Group (Pty) Ltd

ATTACHMENT TO EMAIL

Annexure 3: Cash-flow summary

Cash-flow summary

	Year 1	Year 2	Year 3	Year 4	Year 5
Gross rental income	R25 200 000	R25 200 000	R25 200 000	R25 200 000	R25 200 000
Operating costs	R5 040 000	R5 040 000	R5 040 000	R5 040 000	R5 040 000
Net rental income	R30 240 000	R30 240 000	R30 240 000	R30 240 000	R30 240 000
Repayment of loan	(R10 000 000)	(R10 000 000)	(R10 000 000)	(R10 000 000)	(R10 000 000)
Net cash flow	R20 240 000	R20 240 000	R20 240 000	R20 240 000	R20 240 000
Dividends					
Lampros	R12 144 000	R12 144 000	R12 144 000	R12 144 000	R12 144 000
VarsityPoint	R8 096 000	R8 096 000	R8 096 000	R8 096 000	R8 096 000

Fair value of PBSA property at end of year 5

Fair value of PBSA property	R168 666 667
Outstanding bank debt	(R38 322 150)
NAV	R130 344 517
Lampros' share	R52 137 807

IRR and NPV of investment for Lampros

Lampros' assessment	Year 0 R'000	Year 1 R'000	Year 2 R'000	Year 3 R'000	Year 4 R'000	Year 5 R'000
Initial equity (40% Lampros)	(22 848,0)					
Dividends received		12 144,0	12 144,0	12 144,0	12 144,0	12 144,0
Final distribution on sale of property						52 137,8
Net cash	(22 848,0)	12 144,0	12 144,0	12 144,0	12 144,0	64 281,8
Discount rate	16,75%					
NPV	34 488,7					
IRR	61,10%					

DOCUMENT D

EMAIL FROM CHIEF FINANCIAL OFFICER TO SENIOR FINANCIAL ASSISTANT

From:	Susan Sibanda
Sent:	Wednesday 30 March 2022, 08:08 AM
To:	Senior Financial Assistant
Subject:	Funding options
Attachment:	Annexure 4 ACP term sheet.docx 36 KB

Hi again

This is turning out to be a busy day!

As we discussed previously, the Board has been considering funding alternatives for the Africa expansion and Africa Capital Partners Ltd (ACP) has indicated it has an appetite to provide funding.

ACP has provided a high-level indicative term sheet in respect of our proposed Africa expansion plans, which is attached. Please review and provide me with your initial inputs on both proposed options, so that I can prepare a document for the Board.

In your response, I would like you to focus on the following:
- A critical discussion of each funding option to assist the Board in choosing how to fund our expansion;
- An explanation, with reasons, whether or not Lampros Group should consolidate the newly formed company (Newco) in its group financial statements, in the event it chooses option 2 (direct equity investment); and
- An explanation of whether Lampros should classify the put option granted to ACP as a contingent liability or a financial liability. Broadly note the implications for the statement of financial position.

The term sheet is silent about the number of directors on the Newco Board. It is our understanding that Newco will have five directors. I thought I'd mention this in case it is a relevant consideration.

You don't have to go into all the technical detail of the accounting implications. A high-level explanation will suffice. You can also ignore any tax implications for now.

Would it be OK if I can get your response soon? Thanks, much appreciated.

Kind regards
Susan

CFO: Lampros Group (Pty) Ltd

ATTACHMENT TO EMAIL

Annexure 4: ACP term sheet

ACP

Africa Capital Partners Ltd
Johannesburg
South Africa
29 March 2022

Lampros Group Africa Expansion

Attention: Susan Sibanda

Dear Susan

Thank you for your interest in securing funding in respect of the Lampros Group expansion of operations into Africa.

We are pleased to inform you that Africa Capital Partners Ltd has approved two alternative funding options for your consideration. Either could be utilised towards the acquisition and establishment of various school operations throughout Africa.

The summarised terms of our approved funding proposals are presented below:

Option 1: Term loan facility

Borrower	A new company to be formed, which will be a wholly-owned subsidiary of the Lampros Group
Lender	Africa Capital Partners Ltd
Total loan amount	USD10 100 000 inclusive of a USD100 000 raising fee
Availability period	The loan capital approved in respect of this term sheet will expire should no portion of the approved loan capital be utilised in the 12 months following signature of this term sheet.
Manner of utilisation	The available loan amount of USD10 000 000 may be utilised in tranches as and when the Lampros Group identifies opportunities for investment, provided that such tranches will be subject to a minimum amount of USD1 000 000 and a maximum amount of USD5 000 000, with each such tranche being treated as a separate loan. Any loan capital not utilised by

	the 5th anniversary of the first tranche of funding will not be available for drawdown.
Raising fee	USD100 000 – included in loan amount above. The raising fee will be apportioned to each tranche of funding and will be capitalised to the loan amount on disbursement thereof.
Purpose of loan	Acquisition and establishment of various school operations throughout Africa.
Term of loan	Each loan tranche will be advanced for a loan term of 60 months.
Interest	Secured Overnight Financing Rate (SOFR) + 8% per annum, compounded monthly.
Repayment terms	Each loan tranche must be fully repaid over the loan term of 60 months in equal instalments monthly in arrears.
Loan covenants	Repayments in respect of the loan funding should result in a minimum Debt Service Coverage Ratio (DSCR) of 1,2 times at the end of each period.
Conditions precedent	Africa Capital Partners Ltd is to be included in the financial due diligence and/or assessment of all prospective opportunities for which Africa Capital Partners Ltd loan funding is intended to be utilised. The outcome of such due diligence must provide Africa Capital Partners Ltd with comfort that the levels of funding sought for the acquisition will be serviced from the operations of the newly acquired school(s).

Option 2: Direct equity investment

As an alternative to the provision of the loan funding indicated above, Africa Capital Partners Ltd has considered and approved a direct equity investment to be utilised towards the acquisition and establishment of various school operations throughout Africa. Our equity investment proposal has been premised on the following assumptions:

Detail	Amount
Total cost of investment opportunities (indicatively)	USD20 000 000
Africa Capital Partners Ltd direct equity investment (approved)	USD10 000 000
Shortfall to be funded by Lampros	**USD10 000 000**

The USD10 000 000 direct equity investment would be advanced subject to the following indicative terms:

1. Lampros' acquisition and establishment of various school operations throughout Africa are to be held in a newly formed company (Newco);

2. Newco will be a private company incorporated in terms of the Companies Act of South Africa. Shares in Newco are to be held as follows:
    a. Lampros Group (Pty) Ltd – 50%;
    b. Africa Capital Partners Ltd – 50%
3. Authorised shares of Newco will be issued directly by Newco to the two shareholders;
4. Africa Capital Partners Ltd is to be given the right to appoint one non-executive director on the Board of the Lampros Group (Pty) Ltd. In addition, Africa Capital Partners Ltd is to be given the right to appoint two directors, excluding the chairman, on the Board of Newco established for purposes of the Africa expansion. All such appointments will be effective for the duration of Africa Capital Partners Ltd's shareholding in Newco;
5. Africa Capital Partners Ltd shares in Newco are to be subject to the granting of a put option, which will provide Africa Capital Partners Ltd with the right but not the obligation to sell its shares in Newco to the Lampros Group (Pty) Ltd for an amount equal to the market value of such shares plus a premium of 10% on exercise of the put option.
    a. The market value of Africa Capital Partners Ltd's shares in Newco is to be determined with reference to an EBITDA multiple of 6 times; and
    b. The put option will be exercisable from the 4th anniversary of Africa Capital Partners Ltd's investment in Newco and will remain exercisable for a period 24 months thereafter.

The offers contained in this term sheet are open for acceptance for 7 (seven) days after the date of this letter. If we do not receive your acceptance within 7 (seven) days, the offers of funding will lapse.

Please note that all information contained in this letter regarding the conclusion or negotiation of any funding arrangement may not be disclosed without our prior consent.

SDlamini

Sydney Dlamini | Senior Finance Specialist

DOCUMENT E

EMAIL FROM CHIEF FINANCIAL OFFICER TO SENIOR FINANCIAL ASSISTANT

From:	Susan Sibanda
Sent:	Wednesday 30 March 2022, 08:15 AM
To:	Senior Financial Assistant
Subject:	Africa expansion

Hi

With reference to my email dated 25 March 2022 about Lampros' Africa expansion, the Board of Lampros would like to adopt a more structured approach to expanding on the continent. They are concerned that if we do not have a proper game plan to assess potential opportunities, we may pursue opportunities that appeal to us rather than more appropriate opportunities. Remember that Lampros has never acquired another business in its history, so this is new territory for us.

The Board has requested that we start with a checklist that we could use to identify which African countries would be suitable for investment. They would like a checklist of, say, eight key factors that the Board should consider in evaluating whether a country is investable or not. An obvious example would be whether English is widely spoken and taught at schools in a country. If the primary language in a country is for example French, that may prove to be challenging.

Please draft a checklist for my review. List the key factors that should be considered when evaluating countries with a brief explanation of why each factor is relevant to our investment decision. Looking forward to your inputs.

Ultimately, we will be required to list the attributes of individual investment opportunities that should be important. But for now, let's focus on it at a country level. Thanks in advance.

Kind regards
Susan

CFO: Lampros Group (Pty) Ltd

DOCUMENT F

EMAIL FROM CHIEF FINANCIAL OFFICER TO SENIOR FINANCIAL ASSISTANT

From:	Susan Sibanda
Sent:	Wednesday 30 March 2022, 08:18 AM
To:	Senior Financial Assistant
Subject:	Tax matters

Hi

I hope you read my email dated Friday 25 March 2022 (11:08 AM). I finally managed to work through the 'handover' file and documents that Suresh prepared and got some additional information relating to the relief that Suresh was investigating. It seems like he was referring to a certain higher percentage that we could qualify for related to the allowance for credit losses on trade receivables. In his notes he states that he applied for a directive from SARS and that we have received feedback from SARS that our application has been declined due to 'inadequate steps taken to enforce repayment' and 'inadequate supporting documentation submitted'.

He also states that we must challenge this decision. For the past eight years Suresh has been handling the tax matters for us and Lampros takes its compliance obligations seriously as we want to be seen as a responsible corporate citizen. Therefore, I would really need your help with this.

First, please give me an explanation about the nature of the tax relief in terms of section 11(j) that Suresh was referring to. Second, without having to resubmit the application, can we challenge the SARS decision to decline our application? And if so, how do we go about doing this? I would hate for us to miss any deadline.

Thank you for assisting, I really appreciate it!

Kind regards
Susan

CFO: Lampros Group (Pty) Ltd

DOCUMENT G

EMAIL FROM CHIEF FINANCIAL OFFICER TO SENIOR FINANCIAL ASSISTANT

From:	Susan Sibanda
Sent:	Wednesday 30 March 2022, 08:23 AM
To:	Senior Financial Assistant
Subject:	Confidential

Hi

Please treat the information in this email as highly confidential. I would like your advice on three particular issues which have been troubling me.

1. In my email of 25 March 2022 I mentioned that Lampros had found a suitable property to develop as a school in Somerset West and that some of the directors were prepared to acquire this property and lease it to Lampros. It transpires that Shanese Tutu and Rose Williams have formed a new company called SomersetShelf68 (Pty) Ltd (SS68), in which they each own 50% of the shares in issue. SS68 acquired the aforementioned property earlier this week for R18 million and funded this acquisition by obtaining a long-term loan from Zeit Services (Pty) Ltd (Zeit). Shanese was very excited when he informed me of these arrangements and stated that he would like Lampros to action entering into a long-term lease agreement with SS68 and start building a school in Somerset West as soon as possible.

   Zeit is a key supplier of the Lampros Group, providing security, cleaning and building maintenance services to all our schools and campuses. Zeit also does all the maintenance of our landscaping, sporting and recreational facilities.

   What are your thoughts about the above arrangements?

2. I have been concerned about Rose Williams' behaviour in recent times. I hired a private investigator (PI) to follow her and do some research on her. I probably should have obtained permission from Shanese to do so but they are very good friends and I was worried that he would inform Rose about this. Anyway, the PI followed Rose to an internet café close to our head office last week. Rose was wearing sunglasses and elaborate headwear in an apparent attempt to disguise herself. The PI overheard Rose calling the Lampros whistleblowing helpline and alleging that the head of Lampros' Procurement Division, Sydney Poiter, was receiving kickbacks from some of our suppliers in return for Lampros extending service agreements with them. I know that all calls to Lampros' whistleblowing helpline are recorded and stored securely for an indefinite period, so we should be able to prove that Rose made the call if we used voice recognition software.

   I was horrified at the suggestion that Sydney would take bribes from our suppliers as he has always acted with the utmost integrity in the office. Sydney is deeply principled, making it highly unlikely that he would do anything illegal. I am not sure what to do with this information about Rose. If I disclosed how I obtained the information, I could be in big trouble.

   What do you think I should do about this situation?

3 Sydney came to me last month with a complaint about Rose's behaviour. This is a summary of what he said (so far unsubstantiated):

Rose demanded that Sydney attend a meeting with a new potential supplier of IT equipment to the Lampros Group called Naltrain (Pty) Ltd (Naltrain). In the meeting Rose stated that she had worked with Naltrain for many years and they were the best IT equipment supplier she had ever encountered. After the meeting Rose instructed Sydney to cancel the contract with Lampros' existing IT equipment supplier (with whom we spend on average R1 500 000 per annum) and to appoint Naltrain to replace them with effect from 1 April 2022.

Sydney explained the following to Rose:

- Lampros has procurement rules and procedures in place that require tenders for the supply of key services to Lampros before contracts can be concluded with them.
- Lampros has a Bid Evaluation Committee which evaluates and awards tenders.
- Neither Sydney nor anyone employed in the Procurement Division may sit on the Bid Evaluation Committee.
- Sydney is therefore not authorised to award any such contract to a supplier.

I must add that as chair of the Bid Evaluation Committee – there are three other members, all from the Finance Division – I can confirm that at least three quotes and the prior approval of this Committee are required for all contracts or purchases with a net present value exceeding R100 000.

Rose reacted angrily and accused Sydney of being grossly incompetent.

Sydney reported the incident to Shanese. However, he has had no feedback about any actions the Lampros Board of Directors may have or will take with regard to Rose's behaviour.

Sydney confided that he was very worried that he may lose his job since Rose is a non-executive director with close ties to Shanese. Rose tends to be domineering, and Sydney is generally intimidated by her.

If you were the chairperson of Lampros, how would you deal with the information received from Sydney and how would you respond to this situation?

And again, please treat this email as highly confidential.

Kind regards
Susan

CFO: Lampros Group (Pty) Ltd