

# Assessment of Professional Competence






## December 2024

### Information on the day

## Leopardis Investments (Pty) Ltd

December 2024


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Inbox Financial Analyst					
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	<i>Doc</i>	<i>From</i>	<i>Subject</i>	<i>Attachment</i>	<i>Received</i>
	A	Cheswill Moos	Assurance of EBITDA of Café Rapide	Draft 'audit' procedures on revenue	4 December 2024
	B	Phumzile Teke-Dlamini	Café Rapide accounting	Acquisition workings and journals	4 December 2024
	C	Phumzile Teke-Dlamini	Café Rapide investment		4 December 2024
	D	Cheswill Moos	FW: Leopardis capital raising		4 December 2024
	E	Phumzile Teke-Dlamini	FW: SaaS agreements – tax implications		4 December 2024
	F	Phumzile Teke-Dlamini	Risk management – Renovare		4 December 2024
	G	Jandri Volmink	Recent discovery	<i>Maung Herald</i> online news article	4 December 2024

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## DOCUMENT A

### EMAIL FROM CHIEF EXECUTIVE OFFICER TO FINANCIAL ANALYST

**From:** Cheswill Moos  
**Sent:** Wednesday 4 December 2024, 7:25 AM  
**To:** Financial Analyst  
**CC:**  
**Subject:** Assurance of EBITDA of Café Rapide  
**Attachment:**  Draft 'audit' procedures on revenue.docx  
17 KB

Hi again!

Having discussed the matter with my fellow Leopardis board members, their view is that it will not be necessary to undertake an external audit or any other assurance on the AFS of Café Rapide for its financial year ended 31 October 2024. This is not a legal requirement and it is now quite late to appoint a firm of external auditors to render this service.

However, given the importance of the EBITDA figure, the board still wants assurance that the EBITDA reported by Café Rapide for its FY2024 is not overstated. Given that we now control Café Rapide, we have unrestricted access to the documents, records and staff of Café Rapide. Accordingly, we would like you to undertake work on the revenue component of the EBITDA amount, sufficient to provide us with 'reasonable assurance' that the revenue amount is not overstated. Don't worry about the work to be done regarding the operating cost component of EBITDA, we can deal with this later.

To assist you, but also to give my son, Tom (who is studying to be a CA(SA) and is currently on university holiday), some practical auditing experience, I asked him to draft a set of procedures to give effect to the board's required level of assurance on the revenue of Café Rapide for its FY2024. I have attached his proposed procedures.

Please review Tom's suggested procedures, and identify and explain any concerns you may have regarding these procedures. Also, propose any additional procedures that should be performed to ensure that the revenue component of Café Rapide's EBITDA is not overstated for its FY2024.

I realise that you probably need some more information regarding Café Rapide's financial performance. I therefore include a summary of their revenues and operating costs in their FY2023 and FY2024:

Café Rapide Extracts from AFS and draft management accounts	Notes	FY2023	FY2024
		Reported	Draft
		R'000	R'000
Franchise fee revenue	1	9 000	13 000
Rebate revenue	2	1 559	3 353
<b>Total revenue</b>		10 559	16 353
Operating costs		(4 158)	(4 378)
<b>EBITDA</b>		6 401	11 975

## Notes

### 1 Franchise fee revenue

The total upfront fee charged in FY2024 to new franchisees of R1,1 million comprised the following:

- R600 000 (FY2023: R575 000) for the cost of equipment supplied (Café Rapide charges no mark-up on this cost). For this reason, Café Rapide has not recognised any revenue or cost of sales in respect of this charge.
- R500 000 (FY2023: R500 000) for services to be rendered over the duration of the franchise agreement. No further franchise fees are charged thereafter to franchisees. Fees cover services such as finding suitable locations for franchisees, helping in negotiations with landlords to lease premises for stores and the training of staff. Café Rapide estimates that 60% of the total R500 000 fee charged for services is earned in the year the agreements are signed (year 1), and the balance of 40% is amortised evenly over the remaining four years (years 2 to 5) of the initial term of the franchise agreement. The amortisation of the franchise fee relating to the services rendered is apportioned as described above.

If any franchise agreement is terminated before the expiry of the initial five-year term, the balance of the unamortised franchise fee revenue is immediately transferred to revenue. Fourteen franchise stores were closed in FY2024 (FY2023: three stores), and total unamortised franchise fees of R2,4 million were recognised in revenue (FY2023: R450 000) relating to these stores. Stores were closed because franchisees emigrated or because individual stores were not as profitable as initially forecast and franchisees wished to exit franchise agreements.

### 2 Rebate revenue

Rebate revenue relates to the arrangement that Café Rapide has with Bazam Coffee Roasters whereby Café Rapide is paid a 'rebate' or fee of 5% of the total value of coffee beans purchased by the Café Rapide franchisees from Bazam. Rebates are paid by Bazam to Café Rapide quarterly in arrears. Franchisees are unaware of the rebate arrangement between Café Rapide and Bazam. Café Rapide believes it is entitled to these rebates due to the value that it adds in procuring quality coffee beans for its franchisees, and because it does not charge ongoing franchise fees.

Please attend to this request by the close of business today so that I can have a look at it tonight. I have arranged with Café Rapide that you will commence with the assurance work on the revenue of Café Rapide for FY2024 next week.

Kind regards

Cheswell

**CEO:** Leopardis Investments (Pty) Ltd

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## ATTACHMENT TO EMAIL

### Draft 'audit' procedures on revenue


Prepared for Café Rapide for FY2024 by Tom Moos

Revenue category	R'000	Audit procedures
<p>Franchise fees for services rendered in year 1 (to 30 new franchisees)</p> <p><u>Rough calculation:</u>  <math>\text{Fee} = 30 \text{ new stores} \times \text{R}500\text{k} \times 60\% = \text{R}9 \text{ million}</math></p>	9 000	<ul style="list-style-type: none"> <li>Request a list of the new franchise agreements concluded during FY2024 from the CFO of Café Rapide, compute the number of new agreements concluded, and verify that this equates to 30.</li> <li>Enquire from the CEO of Café Rapide whether all new agreements concluded during FY2024 are reflected in this list.</li> <li>Inspect a sample of new franchise agreements selected from this list for the total fee payable by the franchisee (should be R500 000 for franchise services rendered).</li> <li>Inspect the minutes of management / board meetings that approved that 60% of the fee should be recognised in year 1 of the agreement.</li> </ul>
<p>Annual franchise fees from agreements concluded prior to FY2024</p> <p><u>Rough calculation:</u>  <math>\text{Stores at 31/10/2024: } 62</math>  <math>\text{Less: New openings: } \underline{(30)}</math>  <math>\text{Stores at 1/11/2023 (excl. those that were closed during FY 2024) } \underline{\underline{32}}</math></p> <p><math>\text{Fee} = 32 \times \text{R}500\text{k} \times 40\% / 4 = \text{R}1,6 \text{ million}</math></p>	1 600	<ul style="list-style-type: none"> <li>Request a list from the CFO of Café Rapide of all franchise agreements still in operation that were concluded in the period FY2021 to FY2023, and verify that this equates to 32.</li> <li>For a sample of agreements on this list, inspect the agreement to verify the total franchise fee payable.</li> <li>Verify that the same percentages have been applied in prior years as those applicable for FY2024 (i.e. 60% upfront and 10% per annum for the remainder of the agreement).</li> </ul>
<p>Unamortised franchise fees of agreements for 14 stores closed in FY2024</p>	2 400	<ul style="list-style-type: none"> <li>Request a list from the CFO of Café Rapide of all franchise agreements terminated during FY2024, as well as for each of these former franchisees, the workings indicating the amount of the unamortised revenue.</li> <li>Recompute the total unamortised revenue and agree this to the amount recorded in revenue.</li> </ul>

Revenue category	R'000	Audit procedures
Rebate revenue	3 353	<ul style="list-style-type: none"> <li>• Enquire from the CEO of Café Rapide how they ensure the integrity of the rebates paid by Bazam.</li> <li>• Perform appropriate analytical procedures, such as the average quarterly rebate received per franchisee, and investigate any unusual fluctuations.</li> </ul>
<b>TOTAL REVENUE</b>	<b>16 353</b>	

## DOCUMENT B

### EMAIL FROM CHIEF INVESTMENT OFFICER TO FINANCIAL ANALYST

**From:** Phumzile Teke-Dlamini  
**Sent:** Wednesday 4 December 2024, 7:59 AM  
**To:** Financial Analyst  
**CC:** Cheswill Moos  
**Subject:** Café Rapide accounting  
**Attachment:**  Acquisition workings and journals.docx 17 KB

Hi

I want to share more information on the acquisition of a 55% shareholding in Café Rapide with you.

With regard to this acquisition, the following information should be considered:

- Leopardis acquired 55 000 ordinary shares in Café Rapide on 31 October 2024 (the acquisition date). We have estimated the market value of each Café Rapide share to be equal to R672, as determined by using the same EBITDA multiple we applied in our valuation of Weetland.
- Leopardis incurred R250 000 in legal and due diligence fees with regard to the acquisition.
- Café Rapide had a net asset value of R15,5 million at 31 October 2024 per its management accounts.
- Café Rapide carries its land under the cost model in accordance with IAS 16 *Property, Plant and Equipment*. It is estimated that the land is currently undervalued in Café Rapide's management accounts by an amount of R1,5 million.
- Valuation experts engaged by Leopardis have placed a value of R45 million on the brand value of Café Rapide at 31 October 2024 following their valuation exercise.
- Leopardis has placed a value of R3 million on the expertise of Café Rapide's founding members, who will remain in the company's employ for three years after the acquisition.

I asked Gill, our financial accountant, to prepare draft journal entries to account for the acquisition of a controlling interest in Café Rapide in the accounting records of Leopardis – I have attached her draft journal entries.

Please review Gill's workings and journal entries to account for the acquisition of Café Rapide at the date of acquisition (31 October 2024) and –

- identify and briefly explain any potential errors and omissions. You need not comment on the valuation method of the EBITDA multiple in accordance with IFRS 13 *Fair Value* and you may assume that the fair value is appropriately determined in accordance with the fair value standard; and
- prepare pro-forma consolidation journal entries for Leopardis in respect of the acquisition of Café Rapide only. These will be submitted to the Moos Family Trust for its ultimate consolidation of Leopardis and its group entities. The Moos Family Trust adheres to IFRS® Accounting Standards. Please use all information available and prepare notes / reasons for your journal entries or where uncertainties might exist.

Please send your review comments and the requested draft pro-forma journal entries to me via email. You need not consider any current or deferred tax implications.

I am eager for Leopardis to record the investment in Café Rapide in its FY2024 AFS to further demonstrate the progress the company is making in delivering value for its shareholders. Thanks in advance.

Kind regards

Phumzile

**CIO:** Leopardis Investments (Pty) Ltd

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## ATTACHMENT TO EMAIL

### ACQUISITION WORKINGS AND JOURNALS

<b>W1: Fair value of investment at acquisition date</b>		<b>R</b>
Market value of 55 000 shares (R672 x 55 000)		36 960 000
Property undervalued		1 500 000
Value placed on founding members' expertise		3 000 000
		41 460 000
<b>Journal entries for Leopardis</b>		
	<b>Dr.</b>	<b>Cr.</b>
	<b>R</b>	<b>R</b>
Financial asset at fair value through profit or loss (W1)	?	
Creditor payable (current)		26 345 000
Creditor payable (non-current) (see comment below)		10 615 000
Gain on bargain purchase (P/L)		?
<i>Accrual of purchase price payable on 31 January 2025 of R26,345 million and the estimated contingent consideration payable of R10,615 million on 31 December 2027.</i>		
<i>We have obtained workings from a valuation expert regarding the payment to be made on 31 December 2027. We have provided him with the best estimates of the average EBITDA of Café Rapide for its FY2025 to FY2027, which remains most likely to be R16,8 million. The valuation expert has taken all probabilities and weighted averages into account and determined the fair value of this consideration to be R7 million on acquisition date. Since his valuation techniques appear extremely complex and uncertain, the contingent purchase consideration amount, as illustrated in Phumzile's email last week, is used as the non-current payable.</i>		
Financial asset at fair value through profit or loss	250 000	
Accruals		250 000
<i>Legal fees payable for drafting and finalising the purchase of shares agreement by Leopardis' attorneys</i>		

## DOCUMENT C

### EMAIL FROM CHIEF INVESTMENT OFFICER TO FINANCIAL ANALYST

**From:** Phumzile Teke-Dlamini  
**Sent:** Wednesday 4 December 2024, 8:20 AM  
**To:** Financial Analyst  
**CC:**  
**Subject:** Café Rapide investment

Hi there

I have not copied Cheswill on this email because I wanted to give you the freedom to be honest and objective with me.

The acquisition of Café Rapide happened very quickly. William Moos, one of our non-executive directors, has been a director of Café Rapide since June 2022. At a Café Rapide board meeting held in mid-October 2024, the founding shareholders advised the Café Rapide board that they were thinking of selling some of their equity in Café Rapide. Immediately after this board meeting, William alerted Cheswell to the opportunity and encouraged him to have Leopardis move very quickly to try and acquire any shares that could potentially be available from the founding shareholders. The deal in which Leopardis acquired 55% of the shares was signed within two weeks.

I realise that the acquisition of Leopardis' 55% shareholding in Café Rapide has already happened, but I would still like to obtain your thoughts on the following:

- Is it a sustainable business model?
- Do you have any concerns about Café Rapide that you may have gathered from the information in our emails to you? Anything of concern about its future revenue streams?
- We have not yet communicated our investment in Café Rapide to anyone apart from the board of directors of Leopardis, its shareholders and bankers. How should we communicate the investment to Weetland? How can we sell the positives of Leopardis investing in Café Rapide for us and the potential upside for Weetland?

I would appreciate your honest feedback – just a page or two would be great. Thanks in advance.

Kind regards

Phumzile  
**CIO:** Leopardis Investments (Pty) Ltd

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## DOCUMENT D

### EMAIL FROM CHIEF EXECUTIVE OFFICER TO FINANCIAL ANALYST

**From:** Cheswill Moos  
**Sent:** Wednesday 4 December 2024, 8:35 AM  
**To:** Financial Analyst  
**CC:** Phumzile Teke-Dlamini  
**Subject:** FW: Leopardis capital raising

Hi

It is amazing how life works! I emailed you last Friday about Leopardis needing to explore various capital raising options, such as convertible debentures and preference shares. Well, on Saturday morning I had coffee with Ms Belinda Oliphant, CEO of Real Equity Impact Fund of South Africa (REIFSA), a private equity fund that invests in infrastructure, sustainable energy and tourism opportunities, and mentioned that Leopardis was looking at capital raising. Belinda expressed great interest in pursuing this opportunity and emailed a draft proposal last night outlining REIFSA's potential interest in providing capital to Leopardis. I have forwarded the email received from her.

Please review Belinda's email to me and provide some feedback as follows:

- Briefly provide any income tax implications for Leopardis related to the convertible debentures from when they are issued until they are converted into ordinary shares;
- Briefly provide any income tax implications for Leopardis related to the preference shares from when they are issued until they are redeemed. Please also indicate whether Leopardis would have to pay dividend withholding tax on the preference share dividends, given that REIFSA is a business trust; and
- Critically analyse the funding proposals from Leopardis' perspective and indicate, with reasons, which alternative is more attractive at this stage.

Kind regards

Cheswill

**CEO:** Leopardis Investments (Pty) Ltd

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**From:** Belinda Oliphant  
**Sent:** Tuesday 3 December 2024, 9:05 PM  
**To:** Cheswill Moos  
**CC:**  
**Subject:** Leopardis capital raising

Hi Cheswill

It was amazing catching up with you on Saturday. On Sunday afternoon I gathered some of my management team at REIFSA to urgently consider various investment alternatives regarding REIFSA making an investment in or advance to Leopardis. My team worked hard over the past

three days and has come up with two possible alternatives. I have summarised these briefly below.

#### **Alternative A: Convertible debentures**

- We understand that Leopardis currently has 1 million ordinary shares in issue and no other classes of shares are authorised or issued.
- REIFSA is to subscribe for convertible debentures issued by Leopardis at the total principal amount of R50 million.
- The convertible debentures will pay interest at a coupon rate of 12,0% of the total principal amount per annum annually in arrears.
- The convertible debentures are automatically convertible into 333 333 Leopardis ordinary shares five years after the issue date of the debentures, the implied conversion price per Leopardis ordinary share being R150 each (R50 million in total).

(I know the coupon rate of 12,0% is higher than current market-related interest paid on similar debentures of 10,0%, but the conversion premium of 50% is higher than the most recent issue price of Leopardis shares (earlier in 2024) and should be highly appealing to your shareholders.)

#### **Alternative B: Redeemable preference shares**

- REIFSA will subscribe for redeemable preference shares issued by Leopardis for a total consideration of R30 million, which is the fair value of these preference shares.
- Leopardis will pay dividends of 10,0% annually in arrears on the face value of the preference shares (being R30 million), which dividends shall be cumulative.
- Leopardis is obliged to redeem the preference shares four years after issue date at face value.

Please let me know within the next week or so which alternative you would prefer, and we can take it from there. We look forward to pursuing a mutually beneficial and profitable relationship with Leopardis.

Kind regards

Belinda  
**CEO: REIFSA**

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## DOCUMENT E

### EMAIL FROM CHIEF INVESTMENT OFFICER TO FINANCIAL ANALYST

**From:** Phumzile Teke-Dlamini  
**Sent:** Wednesday 4 December 2024, 9:38 AM  
**To:** Financial Analyst  
**CC:**  
**Subject:** FW: SaaS agreements – tax implications

Hi

With reference to the email I sent you last Friday about the tax implications of the SaaS agreements, the finance manager of Renovare let me know that they only need our assistance regarding the VAT implications.

She sent me an email detailing what they need assistance with (please refer to her email below). Please respond to Lerato via email ([lmolote@renovare.co.za](mailto:lmolote@renovare.co.za)) and copy me on it.

As they have already submitted a number of VAT returns to SARS, it would be useful if you could also let her know if they would be able to submit corrections to these returns. Just a brief summary will do.

Thanks for assisting with this!

Kind regards

Phumzile

**CIO:** Leopardis Investments (Pty) Ltd

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**From:** Lerato Molote  
**Sent:** Tuesday 3 December 2024, 16:09 PM  
**To:** Phumzile Teke-Dlamini  
**Subject:** SaaS agreements – tax implications

Dear Ms Teke-Dlamini

I trust you are well.

Thank you for assisting us with ensuring that we correctly account for the tax on the SaaS agreements. For now, I'm focused on the VAT implications and will deal with the income tax implications at a later stage, as there is still some time before we need to submit our income tax return.

So far I have been accounting for the VAT in our VAT returns as outlined below. However, I would appreciate it if someone from your team could check my logic and advise if I have been calculating the VAT on each of the items / components correctly.

## VAT on SaaS agreements

Item / component	Detail
Monthly rent charged to customers	<ul style="list-style-type: none"><li>• No output VAT charged on the monthly rental amounts as full (100%) output VAT is paid on date of installation.</li></ul>
Maintenance and repairs	<ul style="list-style-type: none"><li>• Claim input VAT on the cost of this service supplied and invoiced to us by third parties.</li></ul>
Purchase of solar equipment	<ul style="list-style-type: none"><li>• Claim input VAT on equipment purchased from local VAT vendors.</li><li>• Claim deemed input VAT on equipment purchased from local non-VAT vendors.</li><li>• No input VAT claimed on equipment imported from China.</li></ul>
Insurance premiums on solar equipment	<ul style="list-style-type: none"><li>• No input VAT claimed as this is exempt from VAT (financial service).</li><li>• No VAT on any insurance payouts.</li></ul>

Regards  
Lerato Molote

**Financial Manager:** Renovare Solar (Pty) Ltd

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## DOCUMENT F

### EMAIL FROM CHIEF INVESTMENT OFFICER TO FINANCIAL ANALYST

**From:** Phumzile Teke-Dlamini  
**Sent:** Wednesday 4 December 2024, 9:45 AM  
**To:** Financial Analyst  
**CC:** Cheswill Moos  
**Subject:** Risk management – Renovare

Hi!

Further to my email last Friday, and having reflected on the key risks facing Renovare, I have come up with the following:

1. Solar solutions may be installed on the premises of customers who are unable to settle the contractual amounts due to Renovare;
2. The solar solutions may be installed sub-optimally, leading to later unplanned rectification costs. This will lead to dissatisfied customers, and negative financial exposure to Renovare;
3. High levels of competition in the market may put pressure on profit margins, jeopardising the company's financial sustainability; and
4. As most solar solution equipment is imported from a single supplier in China, the potential imposition of tariffs by the South African government on such imports may lead to increased costs and put pressure on profit margins. This may jeopardise the company's financial sustainability.

Could you please assist by documenting the key techniques that Renovare should employ to mitigate each of these key risks? I am running out of time – and I want to be well-prepared for this Friday's risk governance meeting.

Also, I think I may not have correctly identified all the key risks facing Renovare. Please describe four additional key risks that Renovare faces, and provide your reasoning for choosing these. Don't worry about providing mitigating factors for the additional risks you identify.

Thank you in anticipation!

Kind regards


Phumzile  
**CIO:** Leopardis Investments (Pty) Ltd

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## DOCUMENT G

### EMAIL FROM CHAIR OF THE BOARD TO FINANCIAL ANALYST

**From:** Jandri Volmink  
**Sent:** Wednesday 4 December 2024, 10:00 AM  
**To:** Financial Analyst  
**CC:**  
**Subject:** Recent discovery  
**Attachment:**  Maung Herald online news article.docx 67 KB

Hi there

Something that recently came to my attention is of concern to me. William sits on the board of directors of Zlisk (he was appointed by Leopardis). After a directors' meeting at Zlisk, William overheard a conversation between Seal McKenzie, the CEO of Zlisk who holds 25% of the shares in Zlisk, and the chair of Zlisk. Seal mentioned that he has been wrongfully implicated in a tax scandal currently being investigated by SARS. Seal assured the Zlisk chair of his innocence and requested she remain objective in the matter and ignore the false claims being made in the media.

William told me of this conversation because he was uncomfortable about the potential implications. I subsequently did an internet search and came across the attached news article published in the *Maung Herald* at the end of November 2024.

I would like to request your advice about the possible implications of the information I have discovered (Seal's disclosure and the news article) for both Zlisk and Leopardis. In your response, please also suggest what actions Leopardis should take now that we have become aware of Seal's disclosures and the news article.

This article made me reflect on Leopardis' vision to create wealth by making a deep and meaningful difference that would benefit our stakeholders over the long term. You have been employed at Leopardis for a short period of time and bring fresh perspectives. What are your thoughts on what Leopardis has done and is doing to create sustainable wealth and to make a meaningful difference to the broader South African society? What are two things Leopardis is getting right in this regard and two things we may need to work on? Please provide brief explanations to support your arguments / opinions. Many thanks!

Regards

Jandri

**Chair:** Leopardis Investments (Pty) Ltd

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# MAUNG HERALD

[www.maungherald.com](http://www.maungherald.com)

**BRINGING THE INDEPENDENT  
FACTS TO THE PUBLIC**

## AGSA presents its MI report on local government

*By Dave Cobies, 28 November 2024*

Yesterday, the Auditor General South Africa (AGSA) released its report on material irregularities (MI) in local government. Maung Municipality was identified as one of the municipalities where an MI was issued by the AGSA. An MI is defined as any non-compliance with, or contravention of, legislation, fraud, theft or a breach of a fiduciary duty that resulted in or is likely to result in a material financial loss, the misuse or loss of a material public resource or substantial harm to a public sector institution or the general public.

This is similar to a reportable irregularity as defined in the Auditing Profession Act of South Africa. The amendment of the Public Audit Act gives the AGSA powers to issue recommendations and binding remedial action to ensure that action is taken against those implicated in an MI.

The Maung municipal manager, Kolbe Machive, has been suspended based on findings of an investigation by the AGSA that revealed the MI in Maung municipality. The investigation found Machive had awarded an irregular contract worth R400 million for the upgrade and expansion of the Maung Hospital in 2019.

The investigation revealed that Machive had a personal financial interest in the award. Machive had confidentially informed all parties who intended to submit bids in respect of the contract, that they should pay a discretionary fee directly into his bank account in order to be favourably considered for the contract.

'Coincidentally', RampUp Construction, the bidder that paid the highest discretionary fee, was awarded the contract. Following the awarding of the contract the full contract fee was paid upfront to RampUp. RampUp filed for liquidation shortly thereafter in late 2020.

None of the contract conditions, apart from painting the exterior of the existing hospital structure, was fulfilled.

Our investigators discovered RampUp was owned by One People Holdings (Pty) Ltd, which is majority owned by Seal McKenzie. McKenzie has been implicated in a string of failed government projects. McKenzie is currently the CEO of Zlisk Cleaning Solutions.

*Maung Herald* is following the matter closely.